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Compromise Report Issued by Bishops, Welcomed by Pope

By Kenneth A. Briggs

New York Times Service

ROME — Roman Catholic bishops, ending deliberations at a two-week synod here, have called for measures to help remedy problems that have arisen since the Second Vatican Council.

The report, welcomed by Pope John Paul II, balances liberal and traditionalist themes that have been in contention during the synod. The outcome of the drive by the bishops to make the report public had been unclear until an announcement by the pope on Saturday that it would be published.

The report, scheduled for release Monday, was to be issued separately from a pastoral message that the synod approved on Friday.

Church officials said the decision to release the document was a victory for the bishops in their effort to express independent views. Opponents of the move said that the main function of synods was to advise the pope and that their decision should be for his eyes only.

The summary report, prepared by Cardinal Godfried Danneberg of Belgium, includes a call for further study of local conferences of bishops and a new universal catechism of church doctrine and morals. It also endorses ecumenism and advocates social justice.

In the report, known as the "relatio," the bishops reviewed several concerns that have arisen in the 20 years since Vatican II overhauled major areas of belief and practice.

Among the issues raised by conservatives were the need for ending what it called abuses in liturgy and theology, infusing a greater sense of "mystery" into the church and restoring authority in the highest levels of church hierarchy, centering on the pope.

At the same time, liberals emphasized strengthening decision-making at the local level and accepting theological diversity and openness to changes in church discipline.

The pope's announcement that he would issue a document on the synod's final session, in which he said that Roman Catholics should pursue the opening to the modern world ushered in by Vatican II. But in a carefully balanced address, the pope also urged the church to "overcome any false interpretations" of Vatican II.

Recent synods have given their conclusions to the pope for his private review. But there was strong resistance from some bishops to this session publicizing among bishops who favor a greater voice for the synods.

By making clear their intentions, the bishops were credited with giving added credibility to the synod, which came into existence as a result of Vatican II, and enhancing the bishops' role in the exercise of church authority.

"It represents the maturing of the synod as a body which is able to arrive at a useful consensus in the bishops' agreement with one another and with the pope," said Russell Shaw of Washington, spokesman for the bishops in the United States. "And they feel perfectly comfortable in letting the world know what they think."

The report traces a careful path through issues of importance to both liberals and conservatives and offers suggestions that could provide both debate and an agenda for the church for years to come.

One example of compromise is a request for a new catechism, a set of theological and moral guidelines, to be prepared by the Vatican. There has been no churchwide decision since Vatican II and local bishops' conferences have formulated their own.

While the report backs the basi-

cally conservative concept of uniformity, it recommends such materials as a "point of reference" to be used by local bishops' conferences to write their own teaching aids.

The report says a new compendium of theological principles, based on the teachings of Vatican II, should be "biblical, liturgical, and at one and the same time a presentation of sound doctrine in a form accommodated to the contemporary life of Christians."

The section on bishops' conferences accedes to the liberal stance that such local bodies make a valuable contribution to the church. But it makes a concession to conservatives who question the legitimacy of conferences in church law and fear that, in some cases, they might encroach on the authority of the pope and the Roman Curia, the church's central administration.

"Because episcopal conferences are so useful and necessary in the (Continued on Page 2, Col. 3)



Blacks Make Show of Force at Funeral

A marcher holds aloft a wooden model of an AK-47 rifle as a symbol of warfare against the South African government as pallbearers carry the coffin of one of 11 victims of black unrest buried after a mass funeral in Queenstown in eastern Cape province. A speaker at the funeral threatened that "people's committees" were forming to attack in white areas. Page 2.

U.S. Budget Bill Would Force Shift in Policy, Politics

By Jonathan Fuerbringer

New York Times Service

WASHINGTON — A newly approved compromise to require a balanced federal budget by 1991 would radically change the policy goals and political stakes in coming budget battles between the White House and Congress, several lawmakers said.

Top negotiators in the Senate and House of Representatives reached an "agreement in principle" on the proposal on Friday after a deadlock of nearly two months. They said the full House-Senate conference committee and Congress were expected to approve the plan this week.

"We are on the threshold of a whole different approach to dealing with the budget," said Representative Leon E. Panetta, a California Democrat who participated in House-Senate negotiations on the measure.

The White House called the agreement "a positive step," but said a decision on whether

the Reagan administration would support it would depend on several undecided details.

The plan calls for steadily declining annual ceilings on deficits, with automatic spending cuts set off when the ceilings are exceeded. The ceilings would start at \$171.9 billion in the current 1986 fiscal year, drop to \$144 billion in 1987, and decline to zero by 1991.

The 1986 deficit is forecast to be at least \$200 billion, and under current policy would fall to about \$120 billion by 1990.

Supporters said they hoped that the threat of automatic cuts would prod the White House and Congress to agree to compromise their goals enough to reduce the deficit.

Some lawmakers said Saturday that the balanced-budget legislation could delay Congress' work on separate legislation to make spending cuts of about \$55.5 billion permanent in its budget resolution for 1986.

Passed in August, that measure sets a deficit ceiling of \$171.9 billion for the 1986

fiscal year, which began Oct. 1. But if Congress does not act on its own to meet that ceiling, the measure limits any automatic spending cuts, due March 1, to \$11.7 billion.

Mr. Panetta said Saturday that because the House and Senate may try to finish their session next week, they might give up trying to find \$55.5 billion in savings and simply take the \$11.7-billion cut.

Another factor that might discourage Congress from making those cuts now is a threatened veto by President Ronald Reagan. The House and Senate versions of the deficit-reduction bill would permanently extend the cigarette tax of 16 cents a pack, which had been scheduled to revert to 8 cents. Mr. Reagan's advisers are said to view this as a form of tax increase.

"I think it's a real problem," Mr. Panetta said. If a deficit-reduction package is not approved by year's end, he said, cuts needed to reach the \$144-billion ceiling set by the

balanced-budget bill for fiscal 1987 would be that much larger.

Some important details of the balanced-budget legislation remain to be resolved Monday, when the full House-Senate conference is scheduled to vote on the plan.

One issue is how much discretion to give the president in deciding what military programs to cut if automatic cuts are needed. Another is whether programs that Congress had already moved to trim should be subject to automatic cuts.

The constitutionality of the measure cannot be resolved until after it is signed. Most of the negotiators agree that this is an open question.

One key concern is the legality of using the Congressional Budget Office, the White House's Office of Management and Budget and Congress' General Accounting Office to determine whether the deficit ceiling has

(Continued on Page 3, Col. 1)

Marcos Foes Falter in Bid For Joint Ticket

By William Branigan

Washington Post Service

MANILA — Moves to unify the Philippine opposition to President Ferdinand E. Marcos for a scheduled presidential election in February fell apart Sunday amid a last-minute dispute on the announcement of a single opposition presidential ticket.

Salvador H. Laurel, a former senator, said at a news conference packed with his supporters that he still was a candidate for president against Mr. Marcos in the election set for Feb. 7.

He said he had rejected an offer to run for vice president under Corason C. Aquino because she refused to join his political party. However, supporters of both Mr. Laurel and Mrs. Aquino held out the possibility that unity still might be achieved after further negotiations.

Political analysts say that a divided opposition has little chance of defeating Mr. Marcos in the election.

Mr. Laurel and Mrs. Aquino had been expected to announce a joint presidential ticket Sunday in which Mrs. Aquino would run as president and Mr. Laurel would set aside his long-held ambitions by accepting the vice-presidential candidacy.

He heads the United Nationalist Democratic Organization, known as Unido, which he described as "the largest and most organized opposition political party in the country today."

Mrs. Aquino, the widow of the assassinated opposition leader Benigno S. Aquino Jr., was drafted last week as the presidential candidate of a newly formed coalition after supporters gathered 1.2 million signatures on a petition urging her to run.

Mr. Laurel said that he had accepted Mrs. Aquino's offer to run as her vice-presidential running mate and that on Thursday she had accepted his demand that she join his party. But Mr. Laurel said Mrs. Aquino changed her mind "for reasons undisclosed" on Sunday morning.

"This sudden and unexpected refusal on her part to run as the Unido candidate leaves me no choice now but to decline her offer to run as her vice president," Mr. Laurel said as his supporters cheered. "I can sacrifice myself, but I cannot sacrifice my party and my principles."

Mr. Laurel added that he would file his candidacy for president formally on Monday.

Later, at a news conference, Mrs. Aquino disputed Mr. Laurel's version of events. She denied having agreed to run as a candidate of Mr. Laurel's party and insisted that Mr. Laurel had accepted her desire to represent a newly formed coalition called Laban ng Bayan, meaning "People's Struggle."

"People's Struggle" she offered a compromise in which an Aquino-Laurel ticket would be registered under "a grand new coalition to be called Unido-Laban ng Bayan."

However, the Laurel camp promptly rejected the compromise Sunday at a meeting with Aquino supporters at Mr. Laurel's house.

A new coalition "is not going to be acceptable," said Luis Villafuerte, a Unido member of parliament.

Although the issue of party affiliation struck some Philippine observers as a minor one, the mutual suspicion and distrust evident in both camps raised fears that the rift would not be resolved. Politicians on each side suggested that the oth-

er was being manipulated by Mr. Marcos.

Mr. Laurel said after his press conference that "the door is open any time" to Mrs. Aquino but only if she agrees to run as vice president on his ticket. Mrs. Aquino has said she will run only for president.

One Laurel supporter noted that the two sides had until Wednesday to reach an agreement.

An opposition lawyer, Rene Saguisag, said that even if unity is eventually achieved, some damage

(Continued on Page 2, Col. 6)

Tass Reports Sakharov Is Healthy

By Celestine Bohlen

Washington Post Service

MOSCOW — The Soviet news agency Tass has reported that Andrei D. Sakharov, the exiled dissident, was aging, but in good health, contrary to "blasphemous political speculation" being spread by Western journalists.

In a report clearly designed to counter renewed pessimism about Mr. Sakharov's condition, Tass said Saturday that the 64-year-old physicist had recently undergone a medical checkup that showed "no negative dynamics in state of health."

The medical report, filed by doctors in Gorki where Mr. Sakharov was banished almost six years ago, did reveal "deviations from the norm caused by aging," Tass said. It said that as a consequence, Mr. Sakharov was following a regimen of "preventative medical therapy" at an outpatient clinic.

The report on Mr. Sakharov's health broke an 18-month official silence on the 1975 Nobel Peace Prize winner whose exile in Gorki has become the most commonly cited example in the West of Soviet violations of human rights.

The timing was dictated by reports about Mr. Sakharov's weakened state that have appeared since his wife, Yelena G. Bonner, 62, went to the West on Monday to seek medical treatment.

Mrs. Bonner, now in Boston where members of her family live, has held to the pledge of silence that she said was a condition of the Soviet decision to grant her a 90-day exit visa.

But her relatives, and others active on Mr. Sakharov's behalf, have stated publicly that Mr. Sakharov has been severely affected by his repeated hunger strikes and that he is not able to get adequate medical care in Gorki.

In the report published Saturday, Tass accused journalists and "politicians" in the West of spreading rumors that Mr. Sakharov's health was declining.

"One gets the impression that some of them and those who stand behind them would prefer the state of health of Sakharov to be poor, or better still, to become very poor," Tass said.

Mr. Sakharov, who still holds membership in the Soviet Academy of Sciences, was exiled to Gorki, 250 miles (400 kilometers) east of Moscow, in January 1980 without ever having been charged, convicted or sentenced. The banishment of Mr. Sakharov occurred during the last stages of a systematic eradication by Soviet authorities of the

(Continued on Page 6, Col. 3)

2 Explosions Injure 39 in Paris Stores

By Judith Miller

New York Times Service

PARIS — Bomb explosions in two department stores injured 39 persons, 14 of them seriously, officials said Sunday.

The explosions occurred within minutes of each other Saturday at the Galeries Lafayette and Printemps department stores. The stores are almost adjacent to each other on Boulevard Haussmann in the ninth district of Paris, one of the busiest commercial sections.

Three groups claimed responsibility for the explosions but police treated the claims with skepticism.

The explosive devices used led police to speculate that the blasts were the work of a disgruntled or unstable individual rather than of an extremist political group.

The first claim of responsibility was by an anonymous caller to a French news agency who said that the explosions had been set by the Palestine Liberation Front, a breakaway faction of the Palestine Liberation Organization.

Responsibility for the explosions was also claimed by the Islamic Jihad and a third caller who claimed to be speaking on behalf of the Armenian Secret Army for the Liberation of Armenia.

An Interior Ministry spokesman said that crude home-made inci-



Paris firemen help one of the 39 victims of two explosions. At least 14 persons were injured seriously in the blasts.

diary devices were believed to have triggered the two explosions, which occurred at installations of the North Atlantic Treaty Organization in Belgium and France.

A 23-year-old law student was killed Friday when a bomb went off at the courthouse in Liege, Belgium. No one has claimed responsibility for that attack.

In December 1978, a bomb exploded in another department store, the Bazar de l'Hotel de Ville, killing one person and injuring eight. Last February, an explosion at Marks & Spencer, a British-owned store on Boulevard Haussmann, killed one person.

Haziness of Detail Clouds U.S. Plan on World Debt

By Carl Gewirtz

International Herald Tribune

PARIS — The Baker plan, the U.S. initiative on the world debt crisis, has been slow to move off the drawing board.

The plan, put forward by Treasury Secretary James A. Baker 3d in early October, was presented as calling on commercial banks to lend \$20 billion over three years for the 15 most heavily indebted developing countries, and for the World Bank to lend an additional \$9 billion.

Acclaimed for its political commitment to sponsoring a policy of adjustment through growth, the plan was an about-face for the Reagan administration, which until then had insisted that more austerity was all that was needed.

But the details about the plan have turned out to be a lot less solid than the commercial banks expected.

The \$20 billion is only an approximate figure, not the absolute ceiling that many banks thought they had heard; the three-year period is not the end of the tunnel, which more likely will take another decade to reach.

And the 15 countries are really not 15, but as many of the debtor states as are willing to adopt domestic adjustment programs that the World Bank and International Monetary Fund endorse as setting the framework for a long-term solution.

In other words, the Baker plan seeks only to establish a strategy whereby the global community works together to finance economic development. In this way, the debtors will have the room to adjust

NEWS ANALYSIS

domestic policies in a way that sets them on the path to export-oriented growth.

This, in turn, is meant to result in financial rehabilitation. What it takes to put the strategy into action has yet to be defined.

Within this long-term strategy, the \$20 billion over three years sought from commercial banks is really just a first step. Most likely it is a prelude needed to persuade reluctant legislative bodies, particularly the U.S. Congress, that the banks are not being bailed out by their troubles.

Such a realization would pave the way to approval for an increase in the capital of the World Bank as well as the resources of the credit export agencies of the major industrialized countries.

"I have the impression that we have tried to read too much into the overture, whereas the real action only starts once the opera begins," a European banker observed.

The \$20 billion, according to experts at the World Bank, the International Monetary Fund and the major commercial banks, is less

(Continued on Page 10, Col. 1)

In Kampala, Signs of War Are Everywhere

By Edward A. Gargan

New York Times Service

KAMPALA, Uganda — There was laughter and dancing Saturday night at the Hotel Diplomat in the green hills of this city. But at the hotel gate, there were young men with automatic rifles, and in the distance the rumble of artillery could be heard.

The signs of war are everywhere, at roadblocks manned by armed men in tattered khaki uniforms, in the anti-aircraft guns aimed skyward from hilltops, in trucks loaded with soldiers hurrying through the capital over rutted roads on the way to the battlefield.

After nearly two decades of political oppression, religious strife and untold atrocities and assassinations, Uganda is locked in a war with itself. The government, a coalition of ethnic and political groups largely from the north, is on one

On the other is the National Resistance army, made up predominantly of people from the southern tribes who have been oppressed by successive Ugandan leaders. Schooling has been cut to a halt in most parts of the country. There is no electricity, no bananas to eat, no medicine. Hospitals have no medicine.

Robbers, often dressed in khaki and carrying automatic rifles, loot houses and cars with increasing frequency. Kampala itself has been hit by four parts with private militias occupying each quarter. A well-

equipped and disciplined rebel army is pushing to the outskirts of the capital.

On Saturday, heavy fighting took place less than seven miles (11 kilometers) from Kampala around the village of Kawanda, and people saw trucks with bodies returning from the front.

The rebels have 'the capability to panic and empty the city of the government's security forces,' a diplomat said.

Residents of Nansana, four miles to the north, fled as the fighting drew near.

"It's fairly desperate," said a Western diplomat. "This is a country that is effectively back to a subsistence economy."

For the last four months, the government has been seeking a negotiated settlement with the National Resistance Army, the guerrilla movement led by Yoweri Museveni, which has occupied the southern and western parts of Uganda and has established what it describes as an "interim administration" in the areas it controls.

Many people say they believe that if the talks between the two sides in Nairobi break down, the rebels will try to capture Kampala. "Muse-

veni has the capability to mount a good large strike," a diplomat said. "He has the capability to panic and empty the city of the government's security forces."

The current confrontation, at the bargaining table in Nairobi and on the battlefield just down the road from Kampala, has roots both in the brutalities of prior governments and in the historical tensions between the country's disparate ethnic groups, according to Ugandans and Western observers alike.

"Ever since 1964, Uganda's government has been dominated by the military," said Sam Katwete, the managing editor of the Independent Star newspaper. "Domination by the military has meant domination by the north."

Many people described Uganda's upheaval as a final desperate response by the southern Bantu tribes, principally the Baganda people, to a history of harsh exploitation by northern tribes, represented by Milton Obote and Idi Amin. Mr. Katwete said that Mr. Obote's government also was resented because of his concentration of power in the north.

His administration was made up almost exclusively of Protestant officials.

"Religion is very important when we have stable politics," Mr. Katwete said. "But now, when it is a question of life and death, it is primarily tribal divisions. Museveni has ceased to be Museveni the person. He has become a

(Continued on Page 2, Col. 3)

Robert Graves, Author Of 'I, Claudius,' Dies

By Wolfgang Saxton

New York Times Service

NEW YORK — Robert Graves, the English poet and classical scholar, died Saturday at his home in Deya, a fishing village on the island of Majorca. He was 90 years old and had been living in seclusion since failing health stayed his pen about 10 years ago.

Church bells on the island rang out a traditional song of mourning. He was buried later in the day with his family and neighbors in attendance.

The local parish priest, the Reverend Ignacio Montoya, said that Mr. Graves, an Anglican, had wished to be buried in the village.

Robert Graves was an enormously prolific and astonishingly versatile writer. Best known for such prose works as "I, Claudius" and "The White Goddess," he was first and foremost a poet.

He regarded his other writings as the means of supporting that vocation. "Prose books," he said, "are

the show dogs I breed and sell to support my cat."

His range of subject matter was staggering. Prehistoric Greece, imperial Rome, Cromwellian England, revolutionary America, the Spain of the conquistadors and Lawrence of Arabia were among his chosen topics. He also translated works from Greek, Latin, French, German and Spanish and offered his opinions on everything from mushrooms to myths.

The ideas he propounded often bore the mark of dazzling scholarship, but they inevitably raised the hackles of scholars in one quarter or another. He concluded from his research that Jesus survived the crucifixion, that the Emperor Claudius was a mild man and a good administrator rather than a tyrant, and that Homer probably did not write the "Odyssey."

A gregarious, strong-bodied man, Mr. Graves chose to live simply and freely, away from the stress of modern society. Writing, he said, was his compulsion: he produced



Robert Graves

more than 130 volumes of poetry, fiction, essays, criticism and lectures.

His works spanned more than half a century, and Mr. Graves was an author to be reckoned with for most of that time. Attacks on his unorthodox theories notwithstanding, there were few who would not

(Continued on Page 7, Col. 5)

Black Militants Make Show of Force at Tense Johannesburg Funeral

By Allister Sparks
Washington Post Service
JOHANNESBURG — Uniformed militants brandished wooden models of AK-47 rifles as blacks threatened at another emotionally charged funeral rally to attack white areas in South Africa.

The funeral for 11 blacks killed in a clash with police three weeks

ago in the eastern Cape province town of Queenstown was marked Saturday by one of the most open displays of black militancy yet seen in South Africa. Flags of the underground African National Congress were displayed and songs praised its guerrilla wing.

After the funeral, black priests defused a tense confrontation between armed policemen and a crowd of about 20,000.

As the crowd moved away from the graveyard, it was confronted by policemen in three armored personnel carriers. Another bloody clash seemed imminent until 18 priests in cassocks stepped out from the crowd and walked up to the police vehicles.

After negotiations, the police agreed to allow the crowd to leave the cemetery if it dispersed peacefully.

One speaker, Stone Sizane, publicity secretary for the activist United Democratic Front, referred to the 11 dead as *amabutho*, a Xhosa word that means fighters.

Accusing the government of disarming the black people, then bringing in its security forces to shoot them, Mr. Sizane said: "Enough is enough. Now is the time to hit back."

He added: "We are now forming people's committees to organize the *amabutho* to hit where it will be most effective, not only in the black townships."

The Nov. 17 "Queenstown massacre," as speakers at the funeral called it, was the third mass killing by the police in South Africa this year. 20 blacks were shot to death in Langa township outside Uitenhage on March 22, and 13 were killed in Mamelodi township outside Pretoria on Nov. 21.

Land Mine Wounds 8
A land mine exploded Sunday outside a post office in a white industrial section of Durban, wounding eight persons, The Associated Press reported.

Police at headquarters in Pretoria said three Indian adults, three Indian children and two white policemen were injured slightly by flying glass.

A police spokesman in Durban said the explosion was caused by a limpet mine, which can be detonated by a timing device. There was no claim of responsibility.

In another development, Winnie Mandela, wife of the imprisoned leader of the banned African National Congress, Nelson Mandela, left a Johannesburg clinic after a four-day stay to recover from exhaustion and hypertension, a spokesman at the clinic said.

2 Kidnapped In Beirut at U.S. University

Compiled by Our Staff From Dispatches

BEIRUT — Two Lebanese faculty members of the American University of Beirut were kidnapped by gunmen Sunday morning near the campus in West Beirut.

A police spokesman said contacts were underway with Muslim militias in an effort to gain the release of Joseph Salameh, an economist at the university, and Munir Shamaa, a medical specialist at the university hospital.

The U.S. director of the university, David Jacobson, was kidnapped in May, and his deputy, Thomas Sutherland, was kidnapped in June. Their abductors are believed to be the Muslim fundamentalists holding at least two other Americans. The university's librarian, Peter Kilborn, was kidnapped in November 1984.

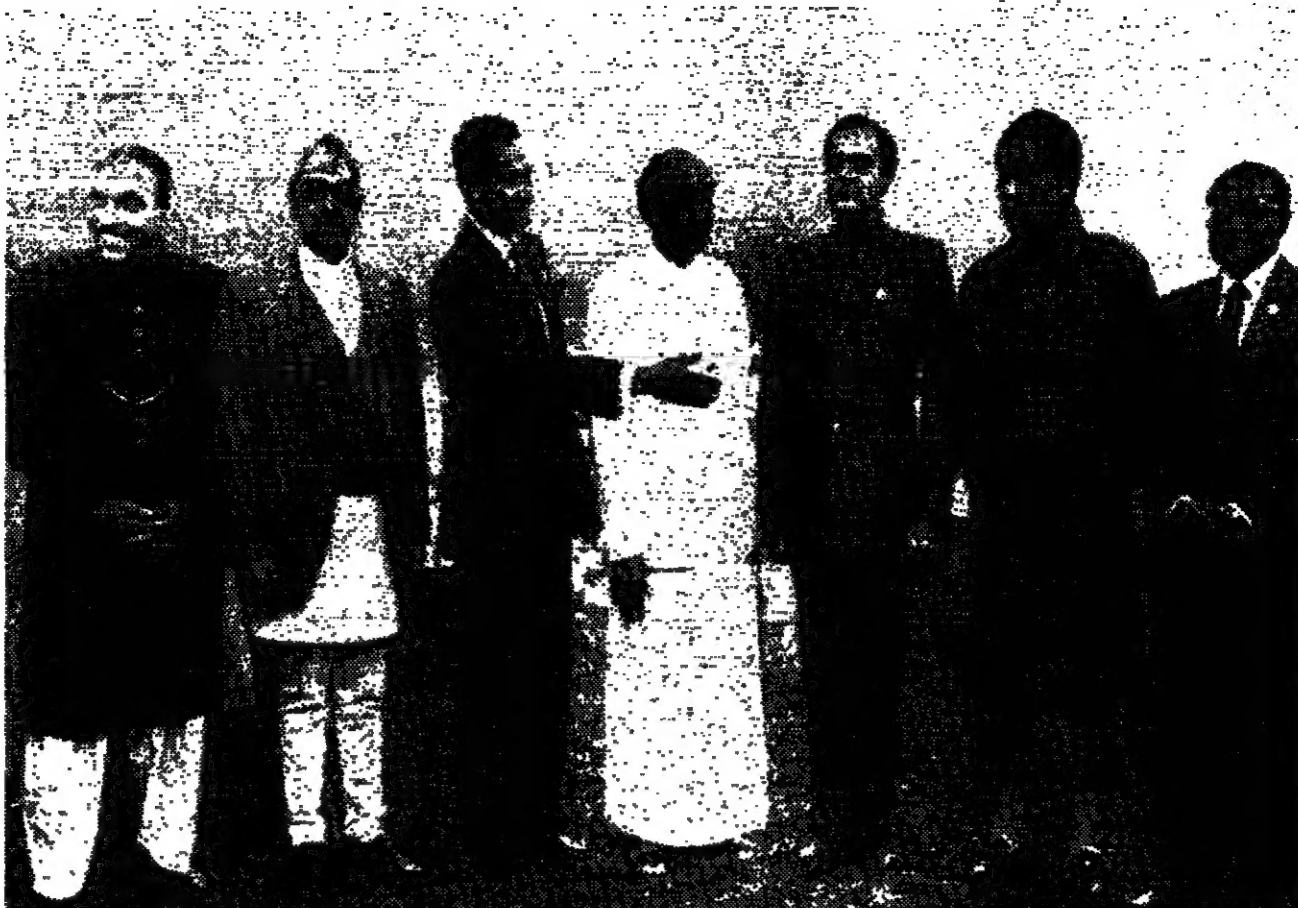
The kidnapping of the two teachers came one day after unidentified gunmen seized two Finnish soldiers in West Beirut, demanding an exchange for two Shiite Muslim bank robbers captured by the army in a shootout hours earlier.

The two Finns, members of a UN peacekeeping force based in southern Lebanon, were freed unharmed eight hours later with the help of the Shiite Muslim Amal militia and the army. The two bank robbers were still in detention, police said.

Nabih Berri, the Amal leader, said Saturday he would resume his efforts to gain the release of Western hostages held in Lebanon, in particular two Frenchmen, Jean-Paul Kauffmann, a journalist, and Michel Seurat, a sociologist.

He said he hoped to succeed by Christmas.

Tony Abi Ghanem, an Amal militant arrested in southern Lebanon last year, was released from an Israeli prison Thursday and Mr. Berri "sincerely thanked" France for its "determining role." (UPI, AFP)



Left to right, President Mohammed Zia ul-Haq of Pakistan, King Birendra of Nepal, Prime Minister Rajiv Gandhi of India, King Jigme Singye Wangchuck of Bhutan and President Maumoon Abdul Gayoom of the Maldives.

7 South Asian Nations Form New Alliance

By Steven R. Weisman
New York Times Service

DHAKA, Bangladesh — Leaders of seven South Asian nations, meeting for the first time, established a new association for regional cooperation Sunday and pledged not to interfere in each other's internal affairs.

The South Asian Association for Regional Cooperation was founded after two days of talks among the prime minister, two kings, two elected presidents and two generals who lead countries comprising one-fifth of the world's population.

South Asia, the home of border clashes, internal conflicts, internal upheaval and mutual suspicion since the British withdrawal in 1947, had been the only major part of the world with no association for regional cooperation.

The principal goals of the new group are to reduce tensions among the member countries and to accelerate cooperation in such areas as agriculture, rural development, telecommunications, transportation, sports and culture.

The leaders participating were President Hassan Mohammed Er-

shad of Bangladesh, Prime Minister Rajiv Gandhi of India, President Jinnah R. Jayawardene of Sri Lanka, President Mohammed Zia ul-Haq of Pakistan, King Jigme Singye Wangchuck of Bhutan, King Birendra of Nepal and President Maumoon Abdul Gayoom of the Maldives.

General Ershad said Sunday that the leaders had not discussed several issues that have produced antagonism between some of the countries.

The group did not discuss the mutual suspicions of India and Pakistan about each other's nuclear programs, he said, or Bangladesh's disputes with India over water.

It was thus unclear whether the new association would play a role in easing India's differences with Pakistan, Sri Lanka or Bangladesh.

Sri Lanka has accused India in the past of fomenting its internal civil war, although President Jayawardene has more recently praised Mr. Gandhi for his efforts to help mediate a solution.

Ziaur Rahman, the Bangladeshi president who was assassinated in 1981, gave impetus to the founding

of a new South Asian association five years ago. New Delhi's suspicion that its neighbors might use such a group to gang up on India, however, proved to be a major impediment.

The charter for the new organization, approved Sunday in an elaborate ceremony, requires that all of the association's actions be approved by consensus and that it take care to avoid "contentious" issues.

The leaders met in the starkly beautiful National Assembly building, which has hardly been used since its completion in 1979. Bangladesh has been under martial law for most of that time.

Addressing delegates from the participating countries, Mr. Gandhi said the new association was "an act of faith."

India welcomes the diversity of our region," he added. "We affirm the sovereign equality of the seven states of South Asia."

The new association created technical committees to discuss ways to improve cooperation in establishing telephone lines, weather forecasting, health care and other areas.

The leaders also decided to explore ways in which the association could combat terrorism and drug trafficking in the region. Both issues are sensitive for several of the countries because their neighbors are harboring terrorists and narcotics smugglers.

Although the nations in this part of the world share much of the same heritage, communication between them is at a low level. Most of the capitals are not linked by air connections, and telephone calls from one country to another can take days to put through.

Trade also is relatively meager, and there was no agreement over the weekend to accelerate trade talks.

The participating countries agreed to have their foreign ministers meet twice a year and to hold another summit conference in New Delhi in November 1986.

Diplomats said the seven countries would have to take many small steps in noncontroversial areas before the association could serve as an instrument to address mutual distrust.

Bishops Issue Compromise Report

(Continued from Page 1)
church's pastoral work today," the report says, "their theological status and the question of their right to teach authoritatively should be more clearly explained and in greater depth. A study is urged."

Another section, which drew the most criticism in the final vote, censured a concept over how much power should be exercised at different levels of the church.

Referring to the principle of "subsidiarity," which has been much invoked since Vatican II to encourage the solution of problems at the lowest appropriate level, the bishops asked for a review of the entire concept.

"We recommend a study to determine whether the principle of subsidiarity, which is applicable to secular society, can be applied to the church, and if so, to what degree and in what sense," the report says.

The theme of abuses in church worship and teaching, voiced by many bishops, is found in the report as part of an appeal for a more vigorous program to explain the council's teachings.

Moreover, the tendency among some conservatives to blame secularization for certain troubles such as disaffection from the church by young people and widespread dissent on moral teachings, is accompanied by a more liberal, positive acceptance of the world and the need by the church to read the "signs of the times."

"Bishops should not only correct abuses but also explain to their people the clarity of the theological support for those involved in promoting social justice. They include advocates of the controversial ideologies of liberation, who advocate support for the social and political struggles of the poor."

The ecumenical movement and the rights of women, within the roles permitted by the church, are also strongly endorsed.

An overriding problem, according to the bishops, is the determination to make Vatican II's teachings better known and to try to gain greater unity in the midst of increasing diversity. They suggest the preparation of manuals and teaching devices to further their aims.

Marcos Foes Falter in Joint Ticket Plan

(Continued from Page 1)

to the opposition already has been done. "There will be immediate public disillusionment," he said. "So we will have to pick up the pieces once more. There is still time, but not very much."

The Marcos government appears to be greeting the opposition split with scarcely disguised glee. A presidential spokesman, lamenting jokingly that he is being left with "nothing to do" to promote Mr. Marcos's re-election because the opposition was destroying itself.

The government television channel reported extensively on the failure to announce a single opposition ticket, calling it a "fall-blown fiasco." The station aired a contrasting report on Mr. Marcos's New Society Movement, preparing to open its campaign headquarters and putting up posters.

Mr. Marcos has publicly disparaged both of his opponents as presidential contenders, asserting that they are incapable of filling his shoes. He has accused Mr. Laurel of having "intimidated with the enemy" during World War II and of talking to the Communist New People's Army, which is currently waging a guerrilla war against the Marcos government.

Mrs. Aquino, he has asserted, knows nothing of economics or industry and would have to depend on some "incompetent" to run her government. Lately, Mr. Marcos, apparently feeling that a woman has a disadvantage in running for president, also has repeatedly referred with condescension to Mrs. Aquino's sex.

She has acknowledged that "I don't know anything about being president" and repeatedly has expressed her reluctance to inherit the political mantle of her husband.

However, supporters convinced her that she is the only person who could provide the moral leadership needed to unify the opposition and go to battle with Mr. Marcos. She accepted a draft as the presidential candidate of the Laban ng Bayan coalition last week after supporters had gathered 1.2 million signatures on a petition urging her to run.

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WORLD BRIEFS

Guatemalans Vote in Runoff Election

GUATEMALA CITY (Reuters) — Voting took place Sunday in a runoff election for a civilian president in Guatemala after 30 years of almost unbroken military rule.

The balloting in the first runoff vote in the country's history matched Mario Vinicio Cerezo of the center-left Christian Democratic Party against Jorge Carpio Nicolle of the rightist National Center Union. Mr. Cerezo won 39 percent of the vote to Mr. Nicolle's 20 percent in the first round of balloting on Nov. 3.

Halfway through the day, election officials reported that the turnout appeared to be lower than in the first voting, when about 800,000 of 2.7 million voters failed to cast ballots. Explanations for the low turnout Sunday ranged from a lack of familiarity with the runoff procedure to a shortage of transportation. The first official returns were expected by noon Monday.

Cubans Land Plane in Zaire, Are Held

KINSHASA, Zaire (Reuters) — Zaire is holding 40 Cuban soldiers whose Soviet-built plane made an emergency landing during a fight between Lunda, Angola, and the small autonomous Angolan enclave of Cabinda, official sources said Sunday.

The Cubans, together with three Angolans and a Cameroonian, burned the plane and tried to hide their documents after the landing last Sunday about 186 miles (300 kilometers) southeast of Kinshasa. The sources said the troops were heavily armed.

More than 25,000 Cuban troops are in Angola to help the Marxist government fight rebels of the National Union for the Total Independence of Angola. The sources said Zaire's staunchly anti-Communist government did not want to dramatize the incident or inflame recently improved relations with Angola, its neighbor to the south.

Sudanese Court Jails Nimeiri Aide

KHARTOUM, Sudan (Reuters) — A Sudanese court has sentenced a top aide of former President Gaafar Nimeiri to 10 years in prison and fined him \$2 million on corruption charges.

The court said Saturday that Baha Eddin Idris, a former presidential affairs minister, would be imprisoned for an additional 10 years if he failed to pay the fine.

Mr. Idris, 53, was found guilty of buying outdated helicopters for the army and signing contracts with a South Korean construction company without official approval. He is the first senior aide of the former president to be put on trial since Mr. Nimeiri was deposed in a military coup in April.

Cypriot Leader Sees Rise in Support

NICOSIA (Reuters) — President Spyros Kyprianou of Cyprus predicted increased backing for his minority Democratic Party as Greek Cypriots voted Sunday for an enlarged House of Representatives.

"I expect a considerable rise in support," Mr. Kyprianou said as he cast his ballot. Voting was compulsory for the 346,500 registered voters. Results are expected to be announced Monday.

The two main opposition groups, the rightist Democratic Rally Party and AKEL, the Communist party, together hope for a two-thirds majority in the 56-seat house, enlarged from 35 seats, which they say could be used to force Mr. Kyprianou to face an early presidential election. He has said that he will serve a full term in 1988.

U.S. Extends Deadline for Bids on Jet

WASHINGTON (NYT) — The U.S. Air Force has extended the deadline for bids on a contract to develop a new fighter plane, thereby keeping open General Dynamics Corp.'s chances of competing even though it has been suspended from receiving new government contracts.

General Dynamics, one of seven competitors for the fighter plane contract and the third-largest U.S. military contractor last year, was suspended on Tuesday after the company and four former or current executives were indicted on fraud charges.

In the air force action Friday, a spokesman said the deadline delay was not connected with the suspension but was needed so that certain provisions in the advanced fighter program could be cleared up for the competitors. The other competitors are Boeing Co., Grumman Corp., Lockheed Corp., McDonnell Douglas Corp., Northrop Corp. and Rockwell International Corp. The advanced technology fighter is intended to replace the F-15, the air force's most sophisticated fighter.

Qadhafi Says U.S. Attacked Aircraft

LONDON (UPI) — Colonel Muammar Qadhafi, the Libyan leader, has asserted that U.S. fighter planes fired at a Libyan aircraft on a routine reconnaissance flight over the Mediterranean, a Ghanaian radio station said in a broadcast monitored in London.

The Accra station reported that Colonel Qadhafi said Saturday, upon arrival in Accra on a three-day visit, that the attack took place "just before his current West African tour."

In Washington, a State Department spokeswoman, Anita Stockman, said, "I'm totally unaware of such an event having taken place."

For the Record

Vigorous police arrested 50 ethnic Albanians alleged to be part of a clandestine group advocating separatism and nationalism in the southern province of Kosovo, an official announcement said Saturday. (Reuters)

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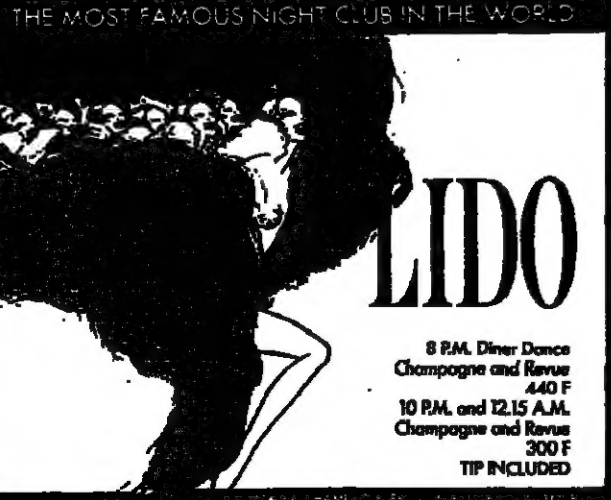
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In Kampala, Signs of War Are Everywhere

(Continued from Page 1)
symbol, a threat to the north. When people speak of Museveni, they mean the north."

But Apollo Lwoko, a spokesman for the government, denied that there had been a history of religious and ethnic strife in Uganda. "If there is any religious harmony, it is in Uganda," he said. "The question of tribalism comes from

the mouths of defeatists. The south has been having its share."

On July 27, a group of army officers led by Major General Tito Okello, the commander of the armed forces, overthrew Mr. Obote. Mr. Obote's government, according to Western human rights groups, slaughtered hundreds of thousands of Ugandans regarded as opponents of his rule.

Almost from the day Mr. Obote took office in December 1980, his adversaries retreated to the countryside and took up arms against him. After the July coup, all but one of those guerrilla armies accepted General Okello's invitation to join the new government's ruling military council. Only the National Resistance Army declined.

Instead, Mr. Museveni continued to expand the territory under his control, inflicting several major defeats on government troops. But, even as the National Resistance Army waged its military campaigns, Mr. Museveni and the government continued to hold talks on forming a unified Ugandan government.

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AMERICAN TOPICS

States Re-Establish
Long-Lost Wildlife

In the past 10 years 33 states have adopted programs to re-establish wildlife species in areas they were forced out of by the advance of civilization. Sometimes the states trade Wisconsin recently exchanged river otters for Colorado pine martens.

Trumpeter swans are being re-established throughout the Midwest. Eventually they will drive out the more destructive mute swans, which are not native. Bighorn sheep are back in Oregon's mountains and beavers in Ohio's rivers.

"We're putting critters back that evolved here," says Donald J. Dick of the Kansas game department. "Critters kept the pests down and nature in balance so there is a biological reason for restoring them. But there is also an aesthetic one. Some of us think whatever evolved in a certain area should live in that area. Man has destroyed them so man should be the one to bring them back."

Short Takes

Desire Cabey, 20, one of four youths shot by Bernhard Hingo Goetz, the so-called "subway vigilante," last Dec. 22, has started in a hospital interview with the New York Daily News that his three companions planned to rob the slightly built Mr. Goetz because he "looked like easy bait." Those three have insisted they were merely asking for money to play video games. Mr. Goetz, 38, is free on \$5,000 bail awaiting trial on charges of attempted murder and possession of illegal weapons.

Bernadette Mobarak has been dismissed as a juror in a trial in Santa Barbara, California, to determine whether the R.J. Reynolds tobacco firm is liable in the death of John Galbraith, 69. He died three years ago of lung cancer and other ailments after smoking Reynolds cigarettes for almost 50 years. Miss Mobarak, defense attorney learned, had posted "No Smoking" signs near her desk at work, often turned a fan on in the direction of cigarette smokers and complained to superiors about smoking in the office.

The U.S. military has been phasing out the Jeep in favor of larger vehicles for the past four years. Now American Motors is closing down production of the basic civilian model in favor of better-selling, station-wagon models. More than two million Jeeps, civilian and military, have rolled off assembly lines since 1940.

Notes About People

Anne M. Burford says in her book, "Are You Tough Enough?" that she remembers David A. Stockman, who was director of the Office of Man-

agement and Budget when she was head of the Environmental Protection Agency, as "brilliant" but "driven and calculating." She said that "he hates EPA, period." Of Rita M. Lavelle, the former agency official who served nearly six months in prison for perjury, Mrs. Burford says that, at their first meeting, "I didn't think she was as dumb as she turned out to be."

At 84, Harry Bridges is thin, bent and suffering from emphysema, but as outspoken as when he was building up the International Longshoremen's and Warehousemen's Union on the wharves of San Francisco in the 1930s. Now semiretired in San



Harry Bridges

Francisco, he told The New York Times that today's union leaders make too much money, have too little fight and are out of touch with their workers. But he added, "I have complete faith in the labor movement."

Kathleen Kennedy Townsend is expected to join her brother Joseph P. Kennedy 2d in running for Congress next year, he from Massachusetts and she from Maryland. Mr. Kennedy, 32, announced his candidacy last week. Democratic Party sources say that Mrs. Townsend, 34, a lawyer specializing in public interest cases, plans to challenge Helen Delich Bentley, the Republican incumbent in the Second District, north of Baltimore.

George A. Keyworth 2d, who has announced he is quitting as President Ronald Reagan's science adviser to form his own industrial advisory company, said one reason for leaving the White House was that things were at a "happy point," and "I think the president needs some fresh blood. When I walk into a room everybody knows what I'm going to say."

Seven times a bride, Elizabeth Taylor says she'll probably try marriage again, but is in no hurry. "I think maybe I'm finally growing up, and about time," Miss Taylor, 53, told Vanity Fair magazine. But after two broken engagements, "I'm being very cautious. I'm sure I will marry once more, but only once more, and boy, it's going to be tight. I'm taking no chances."

—Compiled by ARTHUR HIGBEE

Ortega Says More Guerrillas
May Use Anti-Aircraft Arm

By Edward Cody

Washington Post Service

MANAGUA — President Daniel Ortega Saverio of Nicaragua has declared that "any irregular force in the area" could obtain and use anti-aircraft missiles, now that U.S.-supported guerrillas have used them to shoot down a Nicaraguan helicopter.

The warning, a clear reference to leftist guerrillas in El Salvador, appeared designed to dramatize Nicaragua's outrage at the anti-Sandinista rebels' use of such missiles last week for the first time in their four-year war to overthrow the Managua government.

Mr. Ortega, speaking at a news conference Friday, repeated Nicaraguan assertions that the Reagan administration had directly supplied the Honduras-based Nicaraguan Democratic Force, the largest guerrilla force, with portable SA-7 ground-to-air missiles. He said this represented a "theoretical escalation" of Central American conflicts.

"Here we have the U.S. government, which calls itself a fighter against international terrorism, itself stimulating international terrorism," he said. Later, he added, "They are opening the door for any irregular force in Latin America to use this type of arm."

In Washington, Secretary of State George P. Shultz denied Fri-

day that the United States had supplied the rebels with SA-7s. But he said, "If I were them I would certainly want to" have such arms. "I say, 'Fine, I'm all for it.'"

Adolfo Calero Portocarrero, the political chief of the Nicaraguan Democratic Force, told the Los Angeles Times on Friday that the missile used to shoot down the Nicaraguan helicopter was purchased from a Soviet-bloc country earlier this year, using funds contributed by private supporters. "It was not given to us by the United States," he said. "It wasn't even brokered by Americans."

The Salvadoran guerrilla alliance, the Farabundo Marti National Liberation Front, has encouraged discussion for the last several years about whether its combatants could obtain anti-aircraft missiles. The Nicaraguan military has a substantial number of the Soviet-made SA-7s.

Such weapons would mark a substantial shift in the Salvadoran civil war, where the U.S.-backed government has been relying increasingly on aircraft for bombing, strafing and rocketing and for transporting troops for swift assaults. To date, the heat-seeking missiles are not known to have been supplied to the Salvadoran guerrillas.

The Nicaraguan Democratic

Force announced early this year it had acquired a number of the shoulder-fired missiles and was training its men in their use. But Monday's downing of a Nicaraguan Air Force Mi-8 helicopter was the first known occasion that the guerrillas had successfully used the weapon.

Mr. Ortega refused three times Friday to say whether Cuban military advisers were killed when the aircraft went down in the central Nicaraguan mountains. The U.S. assistant secretary of state for inter-American affairs, Elliott Abrams, said in Washington on Thursday that Cubans had been killed in the crash.

Contadora Process Suspended

Foreign Minister Augusto Ramirez Ocampo of Colombia said Saturday that the Contadora Group had suspended negotiations on a peace agreement for Central America for five months at Nicaragua's request. The Associated Press reported from Cartagena, Colombia.

Nicaragua officially proposed the suspension on the ground that new governments that are to take office in Guatemala and Honduras in January and in Costa Rica in April could change policy toward the negotiations, Mr. Ramirez said. Colombia, Mexico, Venezuela



Miguel d'Escoto Brockmann, the foreign minister of Nicaragua, attending services at a Roman Catholic church in Beijing on Sunday. Nicaragua established diplomatic relations with China on Saturday and announced it had severed relations with Taiwan on Thursday.

and Panama have been working with Central American countries for nearly three years in an attempt to attain a peace agreement for the region. They are known as the Contadora Group because they first met on the Panamanian island of Contadora.

Pope Denounces 'Intimidations'

Pope John Paul II deplored on Saturday the expulsions of 10 Roman Catholic priests from Nicaragua in July and the government's "intimidations and vexations" of the church in the nation. The Associated Press reported Saturday from Vatican City.

In an open letter to the Catholic cardinal and bishops of Nicaragua, the pope said that the continuing presence of priests there was uncertain because of "obstacles of a various nature against the church."

John Paul did not elaborate, but he appeared to be referring govern-

ment censorship against the publication of priestly homilies.

The Nicaraguan government accuses church leaders of being counter-revolutionary and has expelled 17 foreign priests in the past four years, including 10 in July.

Two-Thirds of Toxic Waste Dumps Fail to Win U.S. Permits

By Philip Shabecoff

New York Times Service

WASHINGTON — More than two-thirds of U.S. toxic waste dumps have failed to qualify for permanent operating permits and must now be closed, the Environmental Protection Agency has reported.

The agency said Friday that only 492 of the nearly 1,600 landfills now taking hazardous waste had certified that they meet requirements for monitoring underground water and financial responsibility under the toxic waste disposal law. Sites that did not make such a certification to the agency by Nov. 8 are required to cease operations.

The relatively small number of waste sites that could meet legal requirements under the law, which was amended last year to stiffen requirements for safe disposal of hazardous materials, surprised environmental agency officials. Just before the Nov. 8 deadline the agency estimated that 30 to 40 percent of the operating landfills would be unable to comply.

Until Nov. 8, the waste disposal sites could operate under less stringent requirements. Landfill operators that could not certify compliance with the rules were required to submit by Nov. 23 a plan for closing their sites. The agency has not yet received from state agencies information on how many operators have submitted plans for closing.

Gene A. Lucero, who is head of the agency's toxic waste enforcement program, speculated that waste dump operators looked at the new legal requirements for re-

maining open and decided it was not worth keeping their sites open. Such rules include retrofitting landfills to make them more secure, installing new monitoring equipment and obtaining sufficient liability insurance.

He said information he had received indicated that many people who generated waste and disposed of it themselves were finding other ways to handle their wastes. He said he had heard of a number of oil refineries that were starting to recycle their wastes instead of placing them in surface impoundments. Other companies are looking for

ways to reduce the amount of wastes they produce, he said.

Mr. Lucero noted that many of last year's amendments to the waste law were aimed at just this result of compelling the adoption of alternatives to the disposal of hazardous wastes in landfills, which inevitably leak.

Officials said the compliance deadline would not immediately leave the United States short of capacity to dispose of toxic wastes. Well over 200 million metric tons (more than 220 million tons) of toxic waste is produced each year in the United States. This does not

include the waste already in abandoned disposal sites, which the law says must be cleaned up either by the waste disposers or by the government.

Many of the disposal sites that failed to certify compliance were smaller facilities, usually situated on the premises of the waste-generating company.

Most of the big commercial sites that take waste from industrial generators have certified compliance with the rules and qualify for permanent permits. The environmental agency said 50 of the 59 big

commercial sites had certified compliance.

The agency also said that 45 waste disposal facilities could not comply with the rules, even though their monitoring of underground water was satisfactory, because they were unable to obtain the necessary liability insurance.

J. Winston Porter, the environmental agency's assistant administrator for waste programs, said Congress was considering legislation to provide relief to waste disposers who have otherwise complied with the rules but had not been able to find insurance.

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U.S. Budget Bill Would Change Policy Goals

(Continued from Page 1)

been exceeded and whether automatic spending cuts are necessary. This might be considered an unconstitutional mixing of the authority of the executive and legislative branches. A court ruling to that effect would cost the plan its enforcement mechanism, the automatic cuts, the negotiators said.

If this happened, the House and the Senate could make cuts of the same size through legislation subject to presidential review, but that would bring in the same political considerations that govern the existing budget process.

The key to the measure is the automatic spending cut. And the crux of the automatic cut is the requirement that it be divided evenly between military and domestic programs. Many backers hope that these threatened cuts would be severe enough to force agreement for some tax increases.

The negotiators made clear Friday that they wanted to avoid automatic cuts. Rather, they hoped Congress and the White House would work from January, when

the president submits his budget, until the start of the next fiscal year to reach agreement on how to meet the deficit ceiling. If they failed, the automatic cuts would be made Oct. 15.

"The theme in what we did was to make this thing so irrational, so ugly that it works as a club," Mr. Panetta said.

Lawmakers say they hoped the measure would force the White House to agree to tax increases and lower military spending, and Congress to accept cuts in popular domestic programs from education to law enforcement.

As of now, however, the administration is sticking to its plan to propose a 1987 budget that would keep taxes steady while increasing military spending by the rate of inflation plus 3 percent.

Senator Pete V. Domenici, a New Mexico Republican who is chairman of the Senate Budget Committee, indicated Friday that it would be nearly impossible politically to meet these goals and the deficit ceiling of \$144 billion.

Under the administration's plan, 30 to 50 domestic programs would have to be eliminated to meet the 1987 deficit ceiling, and Senator Bob Packwood, an Oregon Republican who is chairman of the Senate Finance Committee.

Reagan Urges Tax Overhaul

Mr. Reagan urged the House on Saturday to approve a Democratic-backed plan to overhaul the tax system. The Associated Press reported from Washington.

The plan approved by the House Ways and Means Committee comes before the full House this week. Mr. Reagan's plea for passage came amid warnings from Capitol Hill that unless the president works hard for the measure, the momentum for tax overhaul will die.

In his weekly radio address, Mr. Reagan said: "While the proposals before the House are far from perfect, they do represent an essential step toward a tax code that is fairer, simpler and encourages greater growth."

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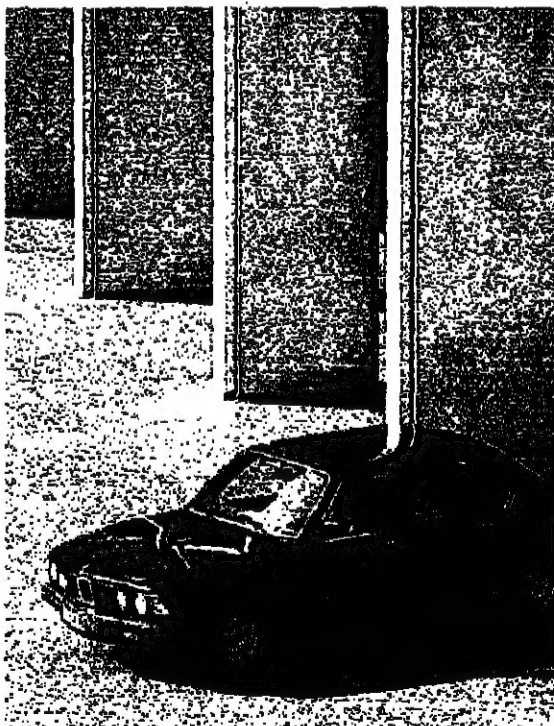
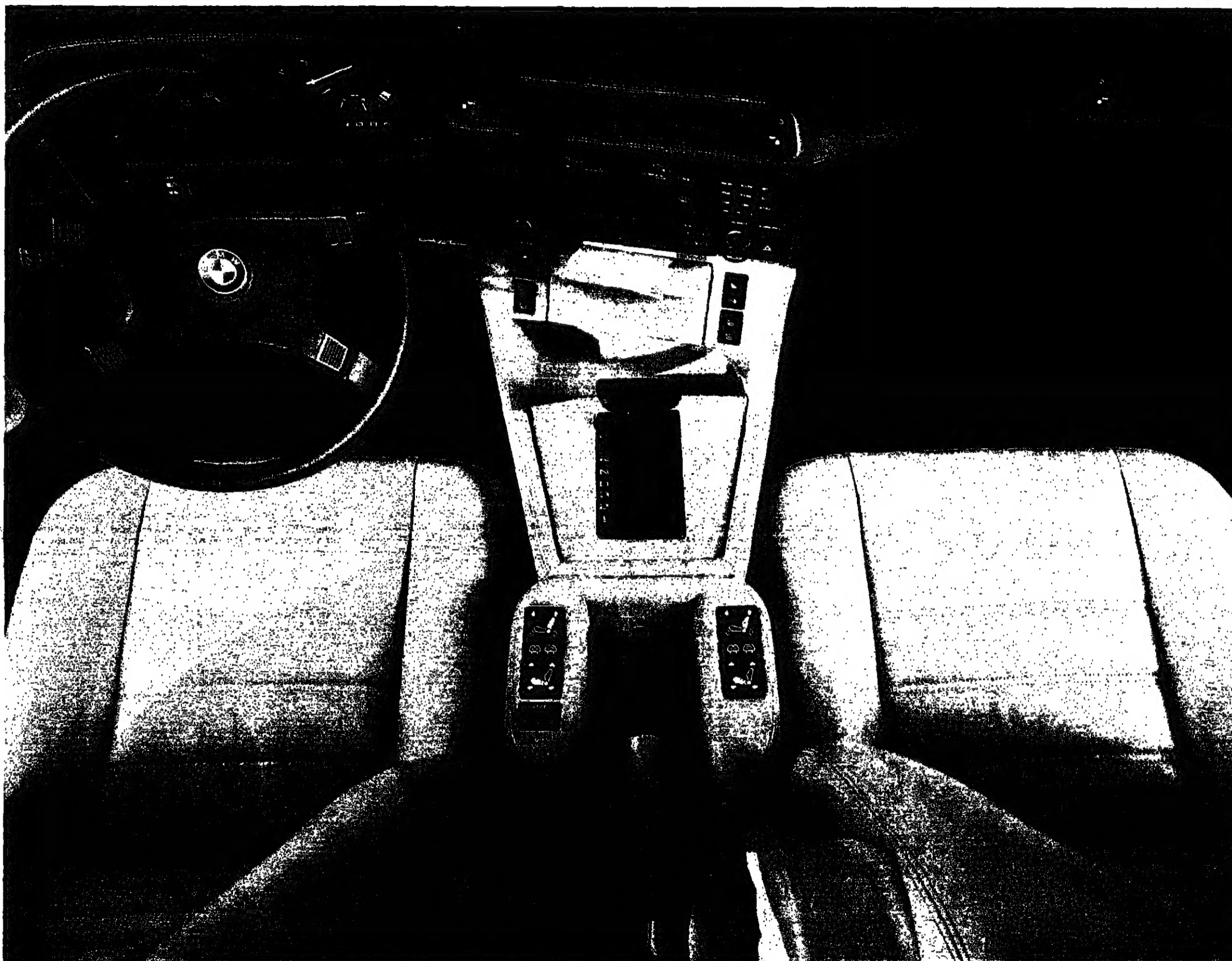
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U.S. Tightens Rules On Travel for Diplomats Of 4 East-Bloc States

By Bernard Gwertzman
New York Times Service

WASHINGTON — The U.S. government now requires diplomats of East Germany, Poland, Czechoslovakia and Bulgaria to make travel arrangements within the United States through the State Department.

The new policy, which runs counter to previous efforts to keep travel as uninhibited as possible, will make it possible for the Federal Bureau of Investigation to keep track of the four nations' diplomats.

The government did not indicate that travel by nationals of the four countries would be curtailed.

But it has warned all the East European allies of the Soviet Union that their diplomats' right to travel freely will be curbed if any of their nationals are found spying in areas that are closed to Soviet citizens. State Department officials said Saturday.

The moves are part of an effort to prevent East Europeans from spying on behalf of the Soviet Union.

Two other Soviet allies — Romania and Hungary — also have been warned against spying, but their citizens do not have to make travel bookings through the State Department.

Other curbs are being placed on some diplomats from Cuba, Libya, Iran, Afghanistan, North Korea, Vietnam, Mongolia and Cambodia and representatives of the Palestine Liberation Organization.

The government's rationale in curbing the East Europeans was discussed Thursday in Senate testimony by Rosanne L. Ridgway, assistant secretary of state for European and Canadian affairs. The testimony was made available Saturday.

"Clearly," she said, "Moscow's East European allies do involve themselves as surrogates for the Soviet Union in the illegal acquisition of intelligence and controlled technologies. In taking steps to reduce the espionage threat in the United States, we are mindful of the East European dimension."

The new curbs on some of the East European countries reflect a foreign policy that differentiates between the Soviet Union and its allies, and among the East Europeans.

The United States has been applying the most restrictive travel rules to Soviet citizens in retaliation for Soviet curbs on the travel of Americans.

The Soviet government not only

requires that travel by Americans — and other foreigners — be arranged through official agencies, but has placed about 25 percent of the Soviet territory altogether off limits to foreigners.

In return, the United States has closed about 25 percent of its territory to Soviet citizens, including areas of sensitivity, such as the Silicon Valley computer development area near San Francisco.

Henceforth, four of the Soviet allies — Bulgaria, Czechoslovakia, East Germany and Poland — will have to book travel through the State Department for their diplomats, although apparently no areas have been declared off limits.

A State Department official said that Romania and Hungary have been treated more favorably in recognition of the independence of Romania from the Soviet Union in foreign policy and of Hungary's relaxed domestic attitudes.

In the light of recent espionage cases, some involving East Europeans apparently acting on behalf of the Soviet Union, several bills have been introduced in Congress to restrict the number of Soviet-bloc personnel in the United States and to include East Europeans in the restrictions previously placed on the Soviet Union.

The State Department has been concerned that extending the travel restrictions to East Europeans would lead to retaliation against Americans, who now are allowed to travel freely within the East European countries, and thus cut back on the gathering of valuable information.

"Given the closed and controlled nature of East European societies," Mrs. Ridgway said, "our ability to travel unimpeded by controls or restrictions is of significant value to us. The East Europeans do not impose discriminatory restrictions on travel by U.S. personnel in their countries. Our personnel can travel at will without advance notification or authorization."

"Hence, in reviewing possible travel restrictions on East European personnel in this country, the challenge to our own interests is clear."

"We need to preserve our ability to acquire vital political and economic information, maintain contacts with religious leaders, dissidents, academics and cultural figures, monitor military maneuvers or the installation of new weapons systems, expand opportunities for American businessmen, provide the full range of consular services to American citizens in distress."



Andrei D. Sakharov, in a photograph made this fall in Gorki and released by his family. Mr. Sakharov's wife, Yelena G. Bonner, with a grandson, Matvei Yankelovich, at Logan International Airport in Boston after her arrival from Rome.



Sakharov Is in Good Health, Tass Says

(Continued from Page 1)

human rights movement in Moscow.

In August 1984 Mrs. Bonner was tried on charges of anti-Soviet slander and given a five-year sentence of exile to Gorki, a Volga River city off limits to foreigners.

The last time Tass issued any information about Mr. Sakharov was in May 1984, when he began a hunger strike to persuade authorities to allow Mrs. Bonner to leave the Soviet Union for medical treatment.

At that time, Tass said that Mr. Sakharov was eating regularly, feeling well and leading an active life. According to recent reports, Mr. Sakharov's hunger strike in 1984 ended only when he was fed by force at a hospital in Gorki. He reportedly suffered a minor stroke at the time.

The Tass report said that Mr. Sakharov had undergone a complete checkup at the Semashko regional clinical hospital in Gorki under the supervision of "highly qualified" specialists.

Mr. Sakharov was following his prescribed treatment "meticulously," Tass said, and his doctors described him as a "model patient."

According to Tass, Mr. Sakharov wrote a note of thanks in the hospi-

tal visitors' book, in which he said: "I have no complaints to make about the medical workers of the hospital. I am satisfied with the attention and care I receive from attending physician Amatyeva and the medical nurses."

Bonner is "Very Concerned"

Kevin Klose of The Washington Post reported from Boston: Looking sustained and pale, Mrs. Bonner arrived in the United States Saturday and said she was "very concerned and anxious" for her husband.

Mrs. Bonner, who praised American support for her husband, said she will attempt to telephone Mr. Sakharov in Gorki.

Although Mrs. Bonner refused to say more about her concerns for Mr. Sakharov, her son, Alexei I. Semyonov, said that if Soviet authorities refuse to allow the call to go through, his mother's quest for medical help here "may be pointless. She will be worried too much to have the operation." She is in Boston for treatment of a severe heart ailment.

At Logan International Airport, where Mrs. Bonner arrived from Rome after her glaucoma condition was examined, Mr. Semyonov said that he expected a call would go through by Tuesday.

Mr. Semyonov expressed outrage at the report published Saturday by Tass that contended Mr. Sakharov was in good health.

Calling the Tass account false, Mr. Semyonov accused Soviet doctors of violating medical ethics for "knowingly allowing intrusion for political purposes" into their treatment of Mr. Sakharov.

Doctors in Gorki "are under the control of the KGB," Mr. Semyonov said.

Mrs. Bonner was met at the airport in Boston by her mother, Ruth, 85; her daughter, Tatiana; her daughter-in-law, Lisa Semyonov; and three grandchildren.

She was accompanied by Mr. Semyonov and her son-in-law, Erem V. Yankelovich, who both went to Italy to meet her on Dec. 2.

Mrs. Bonner's mother is a survivor of political oppression in the Soviet Union. Her husband was executed in 1937. She reminisced Saturday at her family's home in the Boston suburb of Newton, Massachusetts, about her years in Stalin's slave labor camps.

"Nothing was pleasant to be sure," she said. "We survived, and here I am to talk about it."

Ruth Bonner spent about 17 years in labor camps, prison and in exile after her husband's execution.

Shultz Says Trip Shows Support for East Europe

By John M. Goshko
Washington Post Service

WASHINGTON — Secretary of State George P. Shultz, who is to leave Monday night on a 10-day European trip, said he believes his visits will show that the United States acknowledges and supports the individual "identities and aspirations" of the countries of Eastern Europe.

His trip is to include stops in Romania, Hungary and Yugoslavia.

"The United States and its allies have always insisted that the division of Europe is artificial, unnatural and illegitimate," Mr. Shultz said Friday at a news conference. Romania and Hungary are members of the Soviet-dominated Warsaw Pact; Yugoslavia is an independent Communist nation that pursues a policy of nonalignment.

Mr. Shultz said: "The peoples of the eastern half of the continent did not choose to be cut off from the peoples of the West. If there are to be more constructive East-West relations, they too must share in its benefits."

"I think it is helpful to us, and I hope to them," he added, "to hear from the United States what our view is of East-West relations and on some control matters and matters across the board. This is an opportunity for me to do it. I've wanted to do it for some time, and this is the first real chance that I've had."

State Department officials, elaborating privately on Mr. Shultz's remarks, cautioned that they should not be interpreted as an attempt, after last month's Geneva summit meeting, to sow discussion in the Soviet bloc or to encourage East European governments to make any dramatic assertions of independence from Moscow.

Instead, the officials said, Mr. Shultz's trip is intended as a low-key reaffirmation of the Reagan administration's contention that it does not recognize the Soviet Union's hegemony over Eastern Europe as a permanent condition.

Administration officials tend to divide the East European countries into two categories.

Hungary, Romania and Yugoslavia either pursue relatively flexible domestic economic and social policies or have shown some independence in foreign affairs.

Poland, Czechoslovakia, East Germany and Bulgaria, by contrast, have governments that maintain tightly repressive internal control and follow Moscow's lead.

With Dismissals, Poland Hardens Line on Schools

By Jackson Diehl
Washington Post Service

WARSAW — The dismissal by the Communist authorities of about 70 university rectors and deans has prompted protests from students and faculty members and signaled a toughening approach by the government of General Wojciech Jaruzelski to the nation's rebellious intellectuals.

Acting on recommendations of Communist Party cells, Education Ministry officials dismissed six rectors, the top university officials, and removed dozens of deans charged with individual schools and administrative affairs in 15 of Poland's 91 universities.

Although carried out more than a week ago, the actions were confirmed only Friday night by the official news agency PAP.

The dismissals followed a controversial higher education law enacted this summer that drastically curtailed the role of students and faculty members in university decision-making, reintroduced political criteria into course work and required professors to take loyalty oaths.

University teachers, students and opposition intellectuals said the law was meant to end independent activity in Poland's schools, and that the dismissals may mark the beginning of an extensive purge of intellectuals.

"The firings are a kind of test to see what will be the reaction of society," said Bronislaw Geremek, a medieval historian and adviser to the outlawed trade union Solidarity, who was dismissed from the Academy of Science earlier this year. "If there is not much reaction, they will move into a new phase of getting control over all intellectual circles through aggression."

Several university senates, made up of student, faculty, and university worker representatives, met last week to criticize the dismissals. But students in Warsaw decided not to stage a strike, fearing they would not attract enough active public support to win a confrontation with the authorities.

"It is simply not a good time in the country to start a student strike," said a university source active in the talks. "But if the authorities push further now they will be risking a united response."

Government officials have said the new university law and the dismissals were steps to improve efficiency and restore the "socialist character" of education.

Faculty members and political analysts say that General Jaruzelski is intent on restoring Communist Party leadership to key social institutions before a party congress early next year. The Polish

party's lack of control over intellectual circles and cultural activities remains one of its most glaring failings by the standards of the Soviet bloc, they said.

"The authorities know the intelligentsia has a tremendous impact on the social climate," Mr. Geremek said. "And the spirit of freedom in the Polish people is first of all, they think, connected to the intelligentsia."

Most of the deans and rectors dismissed last week were political independents or Solidarity sympathizers who had been elected by senates and hoped to keep the universities somewhat autonomous from the Communist party and government.

Under the new law, the minister of education was given blanket authority to dismiss administrators and appoint new ones. In the future, the minister also will have the power to veto rector candidates nominated by the senates.

U.S. Criticizes Soviet but Denies Boycott of Nobel

Reuters

WASHINGTON — The State Department has denied that the scheduled absence of the U.S. ambassador to Norway at an award ceremony for the 1985 Nobel Peace Prize amounted to a boycott.

The award, won by the International Physicians for the Prevention of Nuclear War, has been criticized in the West because of alleged Soviet human rights abuses. The prize is to be awarded Tuesday to the co-chairmen of the group, Dr. Yevgeni Chazov of the Soviet Union and Dr. Bernard Lown of the United States.

A department spokeswoman, Anita Stockman, said Saturday that the U.S. ambassador, Robert D. Stuart, would not be in Oslo during the awards ceremony. Asked if this represented a boycott, she said, "It just happens that he's not going to be there." She said that the U.S. charge d'affaires would attend in his place.

The State Department said, "We believe the efforts of Dr. Lown and other non-governmental international participants who state their views and publicize them throughout the West are a sincere effort to grapple with difficult issues. The same cannot be said for Dr. Chazov, who is an official of the U.S.S.R. and cannot take public positions not sanctioned by his government."

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Country	Currency	1 year	6 mos.	3 mos.
Austria	S.	4,000	2,170	1,196
Belgium	B.F.	9,020	4,874	2,668
Denmark	D.Kr.	1,930	1,040	570
Finland	F.M.	1,410	760	414
France	F.F.	1,200	644	339
Germany	D.M.	482	261	141
Great Britain	£	101	55	30
Greece	Dr.	15,600	8,444	4,692
Netherlands	fl.	250	136	74
Ireland	£Ir.	115	62	34
Italy	Lira	276,000	149,040	82,800
Luxembourg	L.F.	9,020	4,874	2,668
Norway	N.Kr.	428	235	125
Portugal	Esc.	13,800	7,420	4,000
Spain	Ptas.	21,200	11,620	6,200
Sweden	S.Kr.	1,470	791	424
Switzerland	S.Fr.	452	243	129
Rest of Europe, North Africa, former French Africa, U.S.A., French Polynesia, Middle East	\$	322	174	95
Rest of Africa, Canada, Latin America, Gulf States, Asia	\$	442	238	130

Barriers Remain for U.S. and China, But Relations Are 'Steady,' Wu Says

BEIJING — China's foreign minister said the United States still regarded Beijing as a potential adversary and that barriers remained in relations between the two nations, the official Xinhua news agency reported Sunday.

Foreign Minister Wu Xueqian, a member of the Communist Party Politburo, said that overall development of relations between China and the United States had been "quite steady" this year, and that China "deeply appreciates" growing cooperation with Japan.

But he cited the Taiwan issue and U.S. export restrictions as remaining obstacles with Washington, and said Japanese investment and technology transfer should move on to a "higher stage."

Mr. Wu said he welcomed the United States' decision in October to relax restrictions on exports of high technology to China, as monitored by COCOM, the Coordinating Committee for Multilateral Export Controls, based in Paris. The committee clears technically sophisticated Western exports to Communist countries.

[The Soviet deputy foreign minister, Mikhail S. Kapustin, has held "frank" talks with Chinese officials, including Mr. Wu, on normalizing relations between the two countries, Xinhua said Saturday. Reuters reported from Beijing. Foreign diplomats said the statement's wording suggested that the talks had made no progress.]

Leaders Address Students

The Chinese government sent several of its top leaders Sunday to tell a convocation of university students that they should follow the leadership of the Communist Party and concentrate on their studies rather than on political demonstrations and protests, the Los Angeles Times reported from Beijing.

"Today's central task is to reconstruct the motherland, turning it into a strong socialist power," said Li Peng, deputy prime minister and a Politburo member. He said that in order to realize that aim, "we have to maintain stability and unity."

Mr. Li, the adopted son of Zhou Enlai, the former prime minister, delivered the keynote speech on behalf of the government at Beijing's Great Hall of the People.

About 6,000 students attended the official ceremonies in honor of the 50th anniversary of the Dec. 9, 1935, demonstrations by students in Beijing against Japanese aggression.

Since last year, Chinese students have put up posters and staged several demonstrations to protest poor conditions on campus, against what was termed a "second invasion" of China by Japanese consumer goods. They have also protested the inflation and corruption that have accompanied China's economic reforms.

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East, West Join At UN To Condemn Terrorism

New York Times Service

UNITED NATIONS, New York — The United Nations General Assembly has voted overwhelmingly to condemn acts of international terrorism as "criminal."

It was the first time that a resolution dealing with terrorism had been passed by the Assembly.

The vote was 118-1, with Cuba voting against the measure. Israel and Burkina Faso abstained. Imm was among the 37 nations that did not vote.

The Warsaw Pact countries, as well as Nicaragua and some Arab nations, including Syria, supported the resolution although they criticized it because it did not specifically condemn "state terrorism."

That term has been used in UN debates to describe American support of the rebels in Nicaragua and Israel's raids into Arab territory.

The resolution, which was passed Friday, "unequivocally condemns, as criminal, all acts, methods and practices of terrorism wherever and by whomsoever committed, including those which jeopardize friendly relations among states and their security."

It also calls on "all states to fulfill their obligations under international law to refrain from organizing, instigating, assisting or participating in terrorist acts in other states, or acquiescing in activities within their territory toward such acts."

U.S.-Soviet Effort Reported

A British newspaper said Sunday that the United States and the Soviet Union were close to agreement on a joint campaign to combat terrorism, Reuters reported from London.

The Sunday Times said the two governments were expected to exchange letters pledging action against kidnapping and hijacking before Dec. 23.

Mr. Fabius voiced disapproval of the meeting and told the National Assembly that he had not been consulted about the trip.

Russians Admit to AIDS Cases

MOSCOW — The Soviet Union has acknowledged for the first time that cases of AIDS have appeared here, but contended that the number of victims is fewer than 10.

The disclosures, in an article Saturday in the cultural newspaper Sovetskaya Kultura, reversed official reports two months ago that there are no Soviet AIDS cases and that

acquired immune deficiency syndrome results from Pentagon-inspired experiments.

The article made clear for the first time to Russian readers that the disease mostly affects homosexuals and drug users, two social groups hardly ever mentioned in public. Both homosexuality and drug use are illegal in the Soviet Union.

When war broke out in Europe, the young Mr. Graves joined the Royal Welsh Fusiliers and served as an officer in the same regiment as Siegfried Sassoon, who inspired him to write poetry in earnest. Before the war was over, he had published three volumes.

Mr. Graves was severely wounded in 1916. He recovered, but the agonies he had witnessed as a platoon and company leader in the front lines scarred him for life.

The war, he said later, changed his entire outlook on the world. He joined those who felt that his generation had been sold by generals and men of wealth.

He attended Oxford after the war and married Nancy Nicholson, the daughter of Sir William Nicholson.

Mr. Graves received his bachelor of literature degree in 1926 and was appointed professor of English literature at the newly founded Egyptian University in Cairo. Returning

to England in 1927, he vowed never to take another job for the rest of his life.

Working 18 hours a day, he took two months to write a biography of his friend T. E. Lawrence, "Lawrence and the Arabs." The book was selling at the rate of 10,000 copies a week by Christmas of 1927.

The biography brought him the financial success that his poems had lacked, for all the critical acclaim that they received.

Mr. Graves and his wife had two daughters and two sons, one of whom would be killed in Burma in World War II. But the marriage was an unhappy one and ended in 1929.

His second marriage, to Beryl Pritchard, daughter of Sir Harry Pritchard, produced three more sons and one daughter.

In 1929 he took the advice of Gertrude Stein and moved to Majorca, the largest of the Balearic islands, to find the right atmosphere for his work. Except for the years of the Spanish Civil War and World War II, he lived in the small, flowering hillside village of Deya, until his death.

Before departing for his Mediterranean retreat, he wrote an autobiography, "Goodbye to All That," published in 1929. His account of

his experiences in the Great War — some horrifying, others comic — made an enormous impression on a reading public that was just beginning to come to terms with the realities of the war.

Fifty-six years later, it has lost none of its impact and generally is regarded as a classic.

"I, Claudius," which appeared in 1934 and won him the Hawthornden Prize, made him a novelist of stature. The book and its sequel, "Claudius the God," which won the James Tait Black Prize, were hailed as brilliant reconstructions of Roman times. Mr. Graves had succeeded in breathing extraordinary life into an ancient cast of characters.

A later novel, "Count Belisarius," won the Femina-Vie Heureuse Prize in 1939.

"King Jesus," published in 1947,

Potter Stewart, Former U.S. Justice, Dies

By Al Kamen
Washington Post Service

WASHINGTON — Potter Stewart, a pragmatic, nonideological Supreme Court justice whose mastery of internal politics made him a major force on the high court for 23 years until his retirement in 1981, died Saturday in New Hampshire following a stroke Dec. 2. He was 70 years old.

Justice Stewart retired from the court at a relatively young age, 66, saying he wanted to spend more time with his grandchildren. He was replaced by Justice Sandra Day O'Connor.

He is survived by his wife, Mary Ann, a daughter and two sons.

Reacting to the death, Chief Justice Warren B. Burger said Saturday, "For more than two decades, Justice Stewart gave dedicated and distinguished service to our country, first on the Court of Appeals and then on the Supreme Court."

"His death removes a splendid jurist from the bench," he said. "We mourn his loss."

Most experts believed that Justice Stewart's most important contribution to the Supreme Court lay not in the theories that he propounded, but in building consensus behind the cases. They also cited his commitment to considering each case objectively, an approach in which he took great pride.

Announcing his retirement in 1981, he said: "I think it is the first duty of the justice to remove his own moral, philosophical, political and religious beliefs and not to think of himself as some great philosopher king and apply his own ideology."

He disagreed, for instance, with the court's Miranda ruling, which required police to warn suspects of their right to remain silent and to have a lawyer represent them.

But as the court drifted to the right under Chief Justice Burger,



Potter Stewart

Justice Stewart, a moderate Republican appointed by President Dwight D. Eisenhower in 1958, generally sided with conservatives when he first joined the court. He dissented from many of the liberal rulings under Chief Justice Earl Warren, especially those extending federal court power to increase suspects' rights.

He disagreed, for instance, with the court's Miranda ruling, which required police to warn suspects of their right to remain silent and to have a lawyer represent them.

But as the court drifted to the right under Chief Justice Burger,

Justice Stewart was perceived more as a moderate or liberal, especially on civil rights and social issues. He joined the court's opinions striking down government aid to parochial schools and its 1973 ruling that legalized abortion.

Justice Stewart's most famous quotation reflected the court's difficulties in dealing with laws on obscenity. He admitted in a 1964 case that he might never succeed in defining "hard-core" pornography, and then added, "But I know it when I see it."

Shy and somewhat patrician, he was born in an established, well-to-do, Cincinnati family. His father, a Republican, served as mayor and later on the Ohio Supreme Court.

After attending a private East Coast preparatory school, Hotchkiss, and Yale University, Justice Stewart returned to Cincinnati to practice law. He was a member of the city council and a vice mayor in the early 1950s.

He was the youngest federal judge in the country when Eisenhower appointed him to the 6th U.S. Circuit Court of Appeals in 1954. Eisenhower gave Justice Stewart a recess appointment to the high court in October 1958 and formally nominated him in January 1959.

Burr Tillstrom, 68, Creator Of TV's 'Kukla, Fran & Ollie'

PALM SPRINGS, Calif. (AP) — Burr Tillstrom, 68, who created the children's television show "Kukla, Fran & Ollie," died Friday at his home.

The program, which starred a bucktoothed dragon, a little bald

down and a gracious hostess, delighted millions of families and was credited with building an audience for television when it was a new medium.

The show ran from 1947 to 1957 and was followed by rerunings as late as 1976. It brought Mr. Tillstrom three Emmy and two Peabody television awards.

Other deaths:

Margaret Strong de Larroza, 88, a philanthropist and the only surviving granddaughter of John D. Rockefeller Sr., Monday in Madrid.

Aniello Dellacorte, 71, identified by federal and local investigators as the No. 2 leader of the Gambino, one of New York's five Mafia families, Dec. 2 at a hospital that was not identified.

Philip S. Bernstein, 84, a rabbi who helped about 200,000 Jews resettle after World War II, on Tuesday in Rochester, New York.

Loris Fortuna, 61, an Italian minister who defied the Vatican by ushering in Italy's first divorce law and sponsoring legislation to make abortion legal, Thursday in Rome.

Walter Plesse, 109, the oldest military veteran in the United States, Thursday in Lebanon, Pennsylvania.

Doug Storer, 86, a radio pioneer who wrote the *Amazing But True* newspaper column and helped the early careers of many stars, Wednesday in Clearwater, Florida.

Robert Graves, Poet and 'I, Claudius' Author, Dies

(Continued from Page 1)

rank him among the finest practitioners of the English language today.

He stood apart from fashions and never quite secured a central position in the pantheon of poets who emerged in the 1920s and 30s. But from the 1950s onward, an increasing number of younger poets and younger readers saw in his work an important alternative to the Eliot and Auden tradition.

Mr. Graves, who fractured his nose by tackling low in a rugby game, had a rugged, athletic look that suited him into old age. More than six feet (1.83 meters) tall, he had deep-set gray eyes, a large forehead, white hair and a large, arresting head. He usually was deeply tanned from the Majorcan sun.

Robert von Ranke Graves was born in London on July 24, 1895. His father was Alfred Percival Graves, an Irish poet and ballad writer. His mother, Amy von Ranke, was the daughter of a German professor of medicine and was directly related to Leopold von Ranke, the great German historian.

When war broke out in Europe, the young Mr. Graves joined the Royal Welsh Fusiliers and served as an officer in the same regiment as Siegfried Sassoon, who inspired him to write poetry in earnest. Before the war was over, he had published three volumes.

Mr. Graves was severely wounded in 1916. He recovered, but the agonies he had witnessed as a platoon and company leader in the front lines scarred him for life.

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Before departing for his Mediterranean retreat, he wrote an autobiography, "Goodbye to All That," published in 1929. His account of

his experiences in the Great War — some horrifying, others comic — made an enormous impression on a reading public that was just beginning to come to terms with the realities of the war.

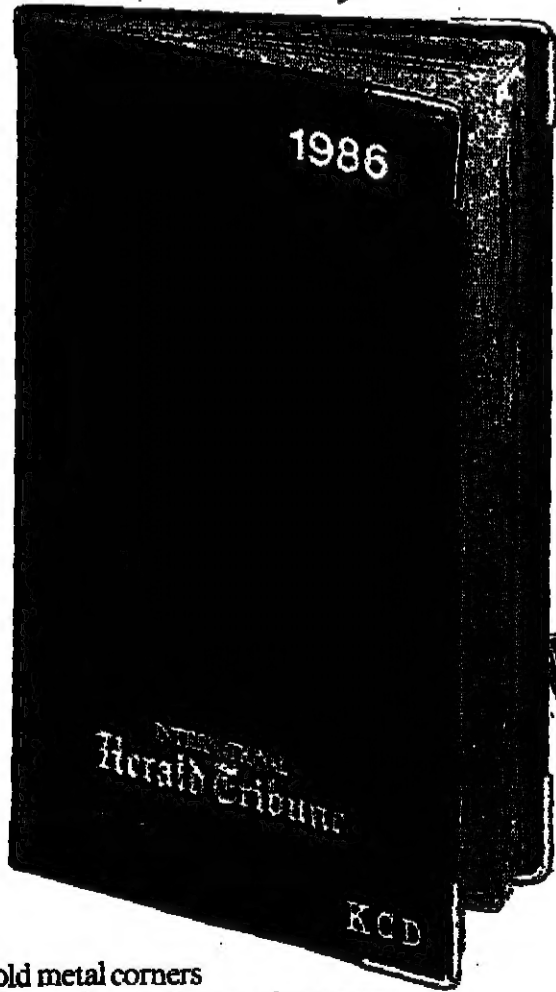
Fifty-six years later, it has lost none of its impact and generally is regarded as a classic.

"I, Claudius," which appeared in 1934 and won him the Hawthornden Prize, made him a novelist of stature. The book and its sequel, "Claudius the God," which won the James Tait Black Prize, were hailed as brilliant reconstructions of Roman times. Mr. Graves had succeeded in breathing extraordinary life into an ancient cast of characters.

A later novel, "Count Belisarius," won the Femina-Vie Heureuse Prize in 1939.

"King Jesus," published in 1947,

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(Continued From Back Page)

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EUROBONDS

Interest-Rate Uncertainty Drives Investors to Cover

By CARL GEWIRTZ
International Herald Tribune

PARIS — Year-end doldrums, arriving a bit earlier than usual, sapped the Eurobond market last week. Institutional investors abandoned the market, preferring to busy themselves preparing their end-of-year reports rather than trying to guess where the market is headed.

The universal view is that interest rates are ultimately headed lower. But that is not seen as happening immediately; thus there is no compulsion to rush into making new commitments now. In addition, between now and the time rates do drop, there is a fear there could be an upturn.

The current inversion of the interest-rate yield curve is feeding this fear. Since the middle of November the yield curve has been flat — with identical charges on the cost of one- to six-month Eurodollars. But last week, the curve inverted, putting the cost of one-week to two-month funds at 8 3/4 percent above the charge on three- or six-month money, 8 1/4 percent.

Even though this inversion is seen to be due to temporary factors, it unnerves the market because it is an unnatural state of affairs. Some analysts link it to year-end bookkeeping maneuvers, some to the bunching of U.S. Treasury financings.

Whatever the reason and however temporary it may be, the inversion caused serious discomfort in the floating rate note market — particularly on the mis-matched floaters.

The height of popularity for this paper occurred when the one-month Eurodollar rate was more than 2 percentage points lower than the six-month rate. By tying the interest payment to the six-month rate and adjusting it monthly, mis-match FRNs allowed banks buying this paper to pocket as profit the difference between their own borrowing costs and the income from the notes.

This has now reversed. As foreseen in such circumstances, the coupons fix for six months at the lower rate — permitting holders to borrow six-month funds and bring their borrowing costs into line with the income from the paper.

But holding that paper now is not very profitable. The margins over the interbank rate are thinner than on normal FRNs. In addition, the banks are now holding paper that yields less than if the money was invested in a one-month instrument.

THIS ALSO affected the fixed-coupon sector as the increasing short-term rates offered an attractive substitute for bonds yielding scarcely more. Investors clearly preferred to park their money in the deposit market and retain their mobility.

The best example of this was Citicorp's \$150-million of three-year, 9 1/2 percent notes priced at 101 1/4 to yield 8.88 percent. Why lock into a three-year commitment when a one-month deposit fetches an annual equivalent of 8.19 percent?

The market also registered its fatigue with bonds with wedged options — warrants that can be exercised only by surrendering callable paper to buy a noncallable issue. Monsanto issued \$100 million of five-year, 9 1/2 percent callable bonds at 100 1/4 and warrants, at \$11 each, to buy noncallable bonds.

Analysts insist that if these warrants have any real value is for the period after the exercise can be effected with cash. In the Monsanto issue, that is after three years. But then, the remaining life of the bond the warrant can buy is only two years. And that is deemed as too short to have any real impact on the value of the warrant.

The same was true for the five-year warrants offered by Merrill Lynch to buy, starting in 1989, 10-percent bonds maturing in 1990. Ditto for the put warrants it offered on the U.S. Treasury's 9 1/2 percent bonds due 1990.

Dart & Kraft did better, offering \$100 million of 10-year, 10 1/4 percent bonds at 101 1/4. In this case, holders of warrants have a five-year period to exercise for cash — but even here the issue languished for lack of support.

The only fixed dollar issue to buck the trend was Inter-American Development Bank's \$200 million of 10-year noncallable paper issued at par bearing a coupon of 9 1/2 percent — a reflection of the market's current preference for noncallable paper from sovereign or supranational borrowers.

But whatever real interest there was to make commitments now was clearly reserved for equity-linked issues. Samsung Electronics, the first South Korean company to make a foreign equity offering, initially fared well trading at par to 102. But the closure

(Continued on Page 10, Col. 4)

U.S. Automakers Graduating to Plastics

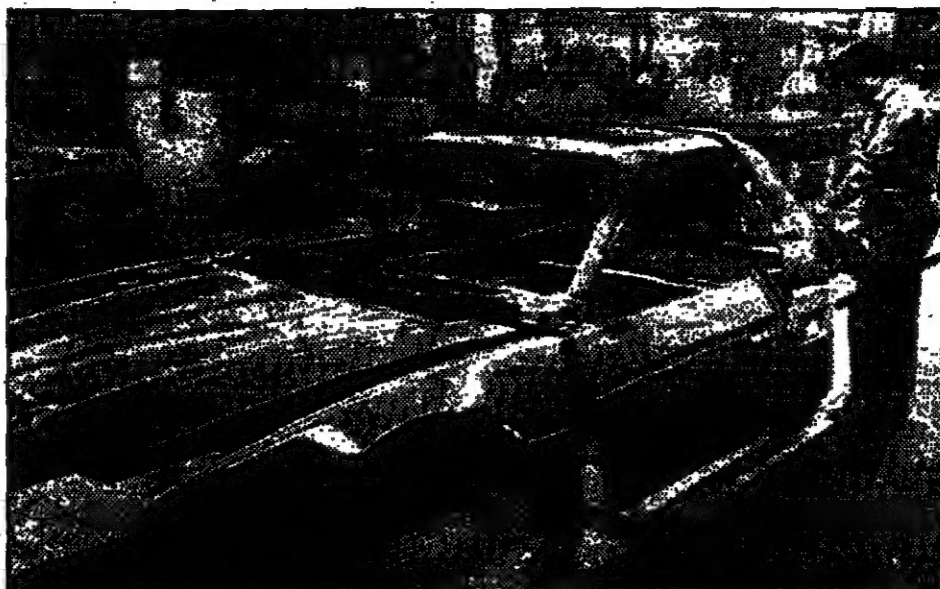
By John Holusha
New York Times Service

DETROIT — When Detroit decided to design a more expensive version of a popular car, it usually means that the new model will have a few bits of additional chrome and a plusher interior. Pontiac's plan for the new Fiero GT, a high-priced offspring of the successful Fiero two-seater sports car, was dramatically different, however.

Thanks to the Fiero's unique construction — a plastic skin of outer body panels attached to an independent steel "space frame" — the General Motors Corp. division was able to retrofit quickly and at relatively low cost to change the styling from a chopped-off "notchback" look to a more streamlined "fastback."

GM officials and many others in the auto industry are convinced that clearly differentiated styling approaches are going to be critical to the future success of specialty cars like the Fiero, and family cars as well. And, they say, plastic is going to be critical to that effort.

Detroit was first attracted to plastic because of its lightness, which made it a key ingredient in the push to improve fuel economy. But now that the automakers are turning their attention back to styling, plastic seems headed for a major design role. And ultimately, the designers say, the high-stress, high-strength qualities of composite plastics — ad-



A Pontiac Fiero's plastic skin is attached to the frame at GM plant in Pontiac, Michigan.

vanced chemical compounds available in a dizzying number of variations — will be put to use structurally.

One approach under close study is taking the hundreds of pieces of metal that are typically welded together to form a car's shell — the internal structure and outer body panels — and reducing them to a few large, complex shapes made from reinforced plastics.

"In the 1990s, we are going to see the use of structural compos-

ites in automobiles," said Joseph Reed, an executive at General Electric Co.'s Applications Development Center in Southfield, Michigan. "A reduction in the number of parts on a car is a real goal of the American auto industry."

For now, some large companies, including GE and Du Pont Co., are rapidly expanding their engineering facilities in the Detroit area to take advantage of what they see as the coming boom in plastic-skinned vehicles. Owens-

Corning Fiberglass Corp. recently predicted that the auto industry's use of fiberglass composites, just one kind of plastic, will increase to 450 million pounds (203.5 million kilograms) a year by 1990, from 275 million pounds this year.

GM appears to be well in the lead, ahead of Ford Motor Co. and Chrysler Corp., in the use of plastic body panels. The replacements for the current Chev-

Fed Votes Curbs In Use of Debt For Takeovers

By Robert D. Hershey Jr.
New York Times Service

WASHINGTON — A divided Federal Reserve Board, which has expressed fears that the corporate financial world has become top-heavy with debt, has proposed to curb a debt-financing device that has been widely used in the latest wave of hostile corporate takeovers.

The board, by a vote of 3 to 2, proposed Friday that, in a typical hostile takeover bid, the use of debt be limited to half of the purchase price of the target company.

The effect of such a requirement, which the board wants to put into effect on Jan. 1, would be to curtail buyouts in which the investor or group that seeks to take control of a company puts up almost no cash.

What the board proposed was to apply its 50-percent stock market margin requirement to the issuance of debt in the typical hostile takeover bid. In other words, the buyer would have to put up at least half the purchase price in cash or other assets.

After a comment period of about two weeks, the board hopes to adopt the regulation as applicable to agreements reached after Dec. 31.

All of the implications of the proposal were not immediately clear. But there was general agreement that the main impact would be on unfriendly takeovers by companies seeking to swallow companies considerably bigger than themselves.

A Wall Street banker who has specialized in hostile takeover bids and a lawyer who handles such matters both forecast privately that the Federal Reserve's proposal would set off a rush of activity for the rest of December as acquirers scrambled to beat the proposed Jan. 1 effective date.

Although the board said that it was not motivated specifically by its fears that the financial system had become overly dependent on credit, its general counsel, Michael Bradford, commented Friday evening that "margin requirements are supposed to prevent the leveraging of the economy."

In its proposal, the Fed sought to limit the use in corporate acquisitions of so-called "shell" corporations created specifically to serve as the vehicles for takeovers.

Its plan sets up a presumption, which would be rebuttable on a case-by-case basis, that when a shell corporation issues debt securities to buy the stock of a target company, the debt is indirectly secured by the stock to be acquired and is therefore subject to the Fed's margin requirements.

One prominent casualty of the new rule would probably be "entrepreneurial" takeover operators who rely heavily on credit to pursue their targets, which are often much bigger. One such prominent figure is T. Boone Pickens, the Texas oil man who on several occasions has employed the shell-corporation device.

Asbestos Accord Set for Manville

New York Times Service

NEW YORK — A representative of one of the key groups with asbestos-related claims against Manville Corp. said he had reached "complete agreement" on a plan that would allow Manville to emerge from bankruptcy proceedings.

Leon Silverman, a lawyer who represents any future plaintiffs with health-related claims, announced the accord Friday at a U.S. Bankruptcy Court hearing in New York. He gave no details on the plan, which must be approved by other claimants and by the court.

But it was seen by participants in the case as a step toward allowing Manville to begin operating again without protection and to start paying persons who were injured by exposure to asbestos. Manville filed for protection in 1982, after more than 16,500 suits had been filed asking for damages of more than \$12 billion.

U.S. Demands EC Telecommunications Opening

By Axel Krause
International Herald Tribune

STUTTGART — Some members of the European Community may face restrictions on their exports to the United States if they do not accelerate the opening of their telecommunications markets, U.S. trade representatives, Clayton K. Yentzer, the U.S. trade representative, has warned.

Mr. Yentzer also said in an interview Saturday that the United States wanted telecommunications placed high on the agenda of General Agreement on Tariffs and Trade talks that have been proposed for early 1987. About 90 countries would take part in the talks under GATT, the Geneva-based trade monitoring agency.

Mr. Yentzer, who was beginning a West European trip that included stops in Geneva, Rome, Paris and Brussels, said he would formally appeal for an opening of West European telecommunications markets during his tour.

In recent years, American Telephone & Telegraph Co., International Telephone & Telegraph Corp. and International Business Machines Corp. have established substantial markets in Western Europe, and AT&T and IBM have made alliances with other companies.

But many other U.S. companies — Mr. Yentzer called them "the outsiders" — are absent from the West European market and are

now pressing the U.S. administration for help to enter.

"As part of the process to improve market access for our industries," Mr. Yentzer said, "we must get started on opening telecommunications markets now, and Germany should set the example." He was speaking after a meeting Saturday in Stuttgart with Martin Bangemann, the West German economics minister.

"The philosophies of Mr. Bangemann and myself about free and fair trade are nearly identical," Mr. Yentzer said. "But they do not apply to everyone else in Western Europe."

Mr. Yentzer referred to repeated demands by Washington that Bonn

accelerate and expand plans to liberalize restrictions against U.S. companies maintained by the Bundespost, the West German telecommunications and postal agency.

Meetings last Tuesday and Wednesday between West German and U.S. trade officials aimed at opening the West German telecommunications market "solved virtually nothing," a U.S. trade official said in Bonn. "Mr. Bangemann, a liberal on trade, is by no means the only influential voice in the German government."

Mr. Yentzer warned that the administration was considering retaliation against West Germany for demands by Washington that Bonn

New OPEC Approach Threatens Lower Prices

By Bob Hagerty
International Herald Tribune

GENEVA — The Organization of Petroleum Exporting Countries agreed late Sunday on a shift in strategy that threatens to depress prices further.

OPEC appointed a six-member committee to work out details, but the general idea is to price oil cheaply enough so that OPEC's 13 members can sell at least 16 million barrels a day on average. That means formally abandoning rigid official prices, which OPEC has been unable to enforce in a glutted market, despite repeated production cuts.

Several ministers and delegates acknowledged the likelihood of a drop in prices if OPEC does not cut back in periods of weak demand. But they said members, already struggling with austerity programs, lacked the political will to reduce output further.

"We are not willing to lose market share to non-OPEC producers anymore," a senior delegate said. Algeria's minister, Belkacem Nabl, earlier Sunday resisted the new strategy in what one delegate described as an angry exchange with Sheikh Ahmed Zaki Yamani, the Saudi minister. Mr. Nabl argued that OPEC's rules forbade a policy of charging free-market prices, but Sheikh Yamani dismissed that view as "theoretical," given that most OPEC crude has been sold below market prices in recent years.

Ministers said that there would be no final decision on details of the new strategy at this meeting, expected to end Monday. They said OPEC is likely to meet again in February or March.

The most important choice, observers here said, is how much OPEC should aim to produce. The group's share of the market in the non-Communist countries has slid to about 35 percent from 60 percent in 1979.

At present, OPEC is producing an estimated 17.5 million to 18.5 million barrels a day, taking advantage of a seasonal rise in demand to exceed its self-imposed ceiling of 16 million.

Venezuela has argued that OPEC should try to cut back to about 16 million. Others have called that impossible; several members producing above their quotas — such as Iraq, Nigeria and Ecuador — have openly said they do not intend to cut back.

"Nigeria has made enough sacrifice to promote the ideals of OPEC," Tam David-West, the Nigerian minister, said in a pugnacious press release. Saudi Arabia, which used to take responsibility for the bulk of the output cuts, told

other members it would no longer give up a single barrel of its quota of 4.35 million, delegates said.

Some delegates argued that OPEC should produce 18 million or even more. "For the first time I see a mood of being very aggressive," a delegate said. "People are saying, 'O.K., let's show them a lesson,'" a reference to production cuts outside OPEC, such as Britain and Norway, whose North Sea output has risen in recent years.

OPEC members would like to score Britain and Norway into restraining production. The Nigerian press release was headlined "David-West Squares Up for North Sea" and promised to "meet the threat posed to the Nigerian crude by the North Sea oil barrel by barrel and cent by cent."

But most delegates seemed hesitant to raise output much higher for fear of setting off an uncontrollable price drop.

If oil producers continue to flood the market, Sheikh Yamani said, prices will "come down drastically" from the current range of about \$25 to \$30 a barrel for most grades of crude.

Renewing previous warnings, he added: "It will be very hectic. One day it will be below \$20, one day you will find it \$23, \$24. It's like any commodity in the market. I think it is very frightening — for the consumers," he said.

Jaguar Is Fined \$6 Million in U.S.

Compiled by Our Staff From Dispatches
WASHINGTON — The U.S. government has fined Jaguar Cars Inc. \$6 million for importing 28,318 cars in 1983 and 1984 that failed to meet federal fuel economy standards.

The National Highway Traffic Safety Administration said Friday that it was the first penalty imposed under a 1975 law subjecting a manufacturer to a fine of \$5 for every tenth of a mile per gallon a car falls below the fuel economy standard. That number is multiplied by the number of cars involved. The imports in question had average consumption of 19.2 miles per gallon in 1983, when the standard was 26 mpg, and 19.4 mpg in 1984, when the standard was 27.

Jaguar said in London that it had made provision to pay the fine, payable in 15 days. "If you want to sell luxury cars in the United States, then this is something you just have to accept," a spokesman said. (Reuters, AP)

Last Week's Markets

All figures are as of close of trading Friday

Stock Indexes			
United States	Last Wk.	Prev. Wk.	Change
DJ Industrials	1477.18	1471.90	+5.28
DJ 30	1463.57	1464.03	+0.46
DJ Trans.	102.39	102.31	+0.08
S&P 500	196.92	195.63	+1.29
S&P 500	202.96	202.18	+0.78
NYSE Comp.	114.88	114.55	+0.33
Source: Merrill Lynch, Pier, F.			
Money Rates			
United States	Last Wk.	Prev. Wk.	Change
Discount rate	7 1/2%	7 1/2%	
Federal funds rate	7 1/2%	7 1/2%	
Prime rate	9 1/2%	9 1/2%	
Japan			
Discount	5 1/2%	5 1/2%	
Call money	8 1/2%	8 1/2%	
60-day interbank	8 1/2%	8 1/2%	
West Germany			
Lombard	5.50	5.50	
Overnight	4.60	4.60	
1-month interbank	4.50	4.50	
Britain			
Bank base rate	11 1/4%	11 1/4%	
Call money	N.A.	N.A.	
3-month interbank	N.A.	11 1/2%	
Dollar			
36 Euro index	127.10	126.30	+0.80
Gold	322.20	325.20	-3.00
Source: James O'Neil & Co., London.			

Currency Rates

Cross Rates									
	£	DM	FF	¥	₹	₪	₦	₧	₦
Australian	1.4915	1.7124	16.000	160.00	1.4915	1.7124	16.000	160.00	1.4915
Belgian	1.4915	1.7124	16.000	160.00	1.4915	1.7124	16.000	160.00	1.4915
British	1.4915	1.7124	16.000	160.00	1.4915	1.7124	16.000	160.00	1.4915
Canadian	1.4915	1.7124	16.000	160.00	1.4915	1.7124	16.000	160.00	1.4915
French	1.4915	1.7124	16.000	160.00	1.4915	1.7124	16.000	160.00	1.4915
German	1.4915	1.7124	16.000	160.00	1.4915	1.7124	16.000	160.00	1.4915
Italian	1.4915	1.7124	16.000	160.00	1.4915	1.7124	16.000	160.00	1.4915
Japanese	1.4915	1.7124	16.000	160.00	1.4915	1.7124	16.000	160.00	1.4915
Netherlands	1.4915	1.7124	16.000	160.00	1.4915	1.7124	16.000	160.00	1.4915
Portugal	1.4915	1.7124	16.000	160.00	1.4915	1.7124	16.000	160.00	1.4915
Spain	1.4915	1.7124	16.000	160.00	1.4915	1.7124	16.000	160.00	1.4915
Sweden	1.4915	1.7124	16.000	160.00	1.4915	1.7124	16.000	160.00	1.4915
Switzerland	1.4915	1.7124	16.000	160.00	1.4915	1.7124	16.000	160.00	1.4915
Taiwan	1.4915	1.7124	16.000	160.00	1.4915	1.7124	16.000	160.00	1.4915
Thailand	1.4915	1.7124	16.000	160.00	1.4915	1.7124	16.000	160.00	1.4915
U.S.	1.4915	1.7124	16.000	160.00	1.4915	1.7124	16.000	160.00	1.4915
West Germany	1.4915	1.7124	16.000	160.00	1.4915	1.7124	16.000	160.00	1.4915
Yugoslavia	1.4915	1.7124	16.000	160.00	1.4915	1.7124	16.000	160.00	1.4915
U.S. Dollar Values									
Australian	0.6700	0.5844	0.0625	0.0063	0.0000	0.0000	0.0000	0.0000	0.0000
Belgian	0.6700	0.5844	0.0625	0.0063	0.0000	0.0000	0.0000	0.0000	0.0000
British	0.6700	0.5844	0.0625	0.0063	0.0000	0.0000	0.0000	0.0000	0.0000
Canadian	0.6700	0.5844	0.0625	0.0063	0.0000	0.0000	0.0000	0.0000	0.0000
French	0.6700	0.5844	0.0625	0.0063	0.0000	0.0000	0.0000	0.0000	0.0000
German	0.6700	0.5844	0.0625	0.0063	0.0000	0.0000	0.0000	0.0000	0.0000
Italian	0.6700	0.5844	0.0625	0.0063	0.0000	0.0000	0.0000	0.0000	0.0000
Japanese	0.6700	0.5844	0.0625	0.0063	0.0000	0.0000	0.0000	0.0000	0.0000
Netherlands	0.6700	0.5844	0.0625	0.0063	0.0000	0.0000	0.0000	0.0000	0.0000
Portugal	0.6700	0.5844	0.0625	0.0063	0.0000	0.0000	0.0000	0.0000	0.0000
Spain	0.6700	0.5844	0.0625	0.0063	0.0000	0.0000	0.0000	0.0000	0.0000
Sweden	0.6700	0.5844	0.0625	0.0063	0.0000	0.0000	0.0000	0.0000	0.0000
Switzerland	0.6700	0.5844	0.0625	0.0063	0.0000	0.0000	0.0000	0.0000	0.0000
Taiwan	0.6700	0.5844	0.0625	0.0063	0.0000	0.0000	0.0000	0.0000	0.0000
Thailand	0.6700	0.5844	0.0625	0.0063	0.0000	0.0000	0.0000	0.0000	0.0000
U.S.	0.6700	0.5844	0.0625	0.0063	0.0000	0.0000	0.0000	0.0000	0.0000
West Germany	0.6700	0.5844	0.0625	0.0063	0.0000	0.0000	0.0000	0.0000	0.0000
Yugoslavia	0.6700	0.5844	0.0625	0.0063	0.0000	0.0000	0.0000	0.0000	

New Eurobond Issues

Compiled by Laurence Derville from information supplied by European bond traders.

Issuer	Amount (millions)	Mat.	Coup. %	Price	Price end week	Terms
FLOATING RATE NOTES						
Holzer	\$230	1992	1/4	100	99.81	Over 6-month Libor. Callable at par on every interest payment date. Sliding fund to start in 1989. Fees 0.25%.
Anglo Building Society	£100	1997	1/4	100.05	99.90	Over 3-month Libor. Callable at par in 1990 and redeemable at par in 1993 and 1995. Fees 0.15%.
Danish Finance Institute for Industry and Crafts	DM 100	1991	1/4	100	99.50	Over 6-month Libor. Maximum coupon 7.5%. Noncallable. Fees 0.40%.
FIXED-COUPON						
Chicorp	\$150	1989	9%	101 1/4	98.38	Noncallable.
Dart & Kraft Financial	\$100	1996	10 1/4	101 1/4	99.50	Callable at par in 1990. Also 100,000 warrants, priced at \$17.20 each, exercisable into an identical, noncallable bond. Warrants can be bought with warrants plus half bond during the first 5 years, then with warrants and cash. Warrants ended the week of \$17.50.
General Motors Acceptance Corp.	\$200	1993	9%	100	98.00	Noncallable.
Inter-American Development Bank	\$200	1995	9%	100	98.00	Noncallable.
Monsanto	\$100	1991	9%	100 1/4	98.25	Callable at par in 1989. Also 100,000 warrants, priced at \$11 each, exercisable into an identical, noncallable bond. Warrants can be bought with warrants plus half bond during the first 3 years, then with warrants and cash. Warrants ended the week of \$11.00.
Textron	\$100	1998	10 1/4	99 1/4	97.00	Noncallable. Purchase fund to start in 1984. \$30 million issued now and \$25 million reserved for top.
European Investment Bank	£75	1996	10%	98 1/4	96.20	Noncallable. Purchase fund to start in 1984. \$30 million issued now and \$25 million reserved for top.
Sainsbury (U.K.)	£100	1993	10%	100	98.20	Callable at 101% in 1992. \$50 million issued now and \$40 million reserved for a one-year top.
CPC Int'l	DM 200	2001	6%	100	97.13	Noncallable private placement.
Inter-American Development Bank	DM 150	1995	7 1/4	99 1/4	—	Noncallable private placement.
World Bank	DM 1,000	2015	zero	13	13.50	Yield 7.04%. Noncallable. Proceeds 130 million marks.
Brown Shipley Finance	ECU 30	1994	9%	100	98.00	Callable at 100% in 1992.
Parbel Finance	ECU 50	1989	8%	101	99.75	Noncallable.
Chrysler Financial	Can\$ 75	1993	11	100 1/4	97.50	Noncallable.
Nord LB Finance	Aus\$ 50	1991	14	100	98.00	Noncallable.
Unilever Belgium	Aus\$ 75	1989	14 1/4	100	98.50	Noncallable.
West LB Finance	Aus\$ 50	1991	14	100	98.00	Noncallable.
Paribas Luxembourg	MZ\$ 40	1989	18	100 1/4	99.50	Noncallable.
Montreal	¥10,000	1995	6%	101 1/4	99.50	Noncallable.
OIAG	¥22,000	1995	8%	101 1/4	99.50	Noncallable. Redeemable at maturity at 182.50 yen per dollar for a total of \$120.5 million.
EQUITY-LINKED						
Ajinomoto	\$120	1990	5%	100	99.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 1,133 yen per share and of 204.95 yen per dollar. Increased from \$90 million.
Samsung Electronics	\$20	2001	5	100	100.00	Redeemable at 117 in 1990. Convertible starting 1987 at 1,652 won minimum per share and of \$89.70 won per dollar.
Asio Finance	DM 150	1993	3	100	106.00	Noncallable. Each \$5,000 note with two warrants exercisable into company's shares of 1,140 marks each.
Credit Suisse Finance	DM 150	1995	2%	100	102.00	Callable at par in 1993. Also 150,000 4-year warrants exercisable into company's shares of 230 Swiss francs each.
Daito Bank	DM 120	1991	2%	100	99.00	Noncallable. Convertible at 2,572 yen per share and of \$1.25 yen per dollar.
Minuto Showa Unyu	DM 25	1990	open	open	101.00	Coupon indicated at 3%. Noncallable. With warrants exercisable into shares at an expected 25% premium. Terms to be set Dec. 9.
Volkswagen Int'l Finance	DM 250	1996	3	100	108.00	Noncallable. With warrants exercisable into company's shares at 407 marks each.
Bell Group	Aus\$ 75	1995	open	100 1/4	—	Coupon indicated at 10-11%. Noncallable. Convertible at an expected 18-20% premium. Terms to be set Dec. 10.
WARRANTS						
Merrill Lynch	0.125	1990	—	\$14	—	Call warrants exercisable at par after Dec. 1988 into Merrill Lynch's 10% bonds due 1990.
Merrill Lynch	0.125	1989	—	\$17	—	Put warrants exercisable at par after Dec. 1988 into the U.S. Treasury's 9% bonds due 1990.

High Liquidity Brings New Issues of Euro Paper

By Carl Gewirtz
International Herald Tribune

PARIS — The international credit market is flush with cash and has too few suitable outlets to funnel it — which explains the stepped-up pace of Euro commercial paper issues, the non-underwritten facilities that banks attempt to market on a best-efforts basis.

Given the abundant liquidity, traders are confident of being able to place these short-term promissory notes.

Five non-underwritten facilities were announced last week. The State Bank of New South Wales has named four dealers headed by Salomon Brothers to market up to \$500 million in the form of certificates of deposit issued by the bank's London branch (one, two, three, six, or nine-month CDs) or promissory notes from any other branch for periods from 14 to 270 days.

Paccar Financial Corp., the financing unit of the U.S. truck maker Paccar Inc., has named Morgan

Stanley and Lehman Brothers to place up to \$320 million in the form of 1- to 365-day Euro commercial paper or notes or to support the

INTERNATIONAL CREDIT

sale of commercial paper in the United States. The Europaper will be rated. Paccar's domestic short-term rating is A1-plus/P1.

Banco di Napoli mandated Citicorp to place up to \$200 million of 7- to 365-day paper, denominated in dollars, European currency units or other major currencies.

First Austrian Bank (Die Erste Österreichische Spar-Casse-Bank) named Merrill Lynch as sole arranger of a \$100-million Euro CD program, the first from an Austrian commercial bank. Merrill Lynch and Citibank have also been named to place up to \$200 million of 7- to 365-day paper for Skopbank of Finland.

Underwritten facilities were announced for Bridge Oil of Australia and MEPC, the British property

company. Bridge Oil is seeking a \$100-million, five-year facility against which it can offer commercial paper here or in the United States or Australian dollar promissory notes, but the issue of U.S. commercial paper would not be underwritten. The program is supported by letters of credit.

Underwriters are offered an annual fee of 1/4 percent, or 12 1/2 basis points, and are obliged to supply funds at a maximum margin of 6 1/4 basis points over Libor on the Euro commercial paper or 15 basis points over the Australian bank bill rate. Banks providing letters of credit will receive an annual fee of 27 1/2 basis points.

MEPC is seeking a seven-year facility of £100 million (\$147 million), which will be used to prepay two existing credits of £30 million and \$35 million. At least £75 million of the new facility is classed as available, on which underwriters will be paid an annual fee of 25 basis points. The fee on the reserve amount is 12 1/2 basis points.

The maximum rate the company

will pay to draw against the facility, either as pound sterling or dollar cash advances or dollar Euronotes, is 25 basis points over the London interbank offered rate. Banks are also paid a front-end commission of 15 basis points and are promised a kill fee of 25 basis points if the facility is canceled within two years.

Argyll Group, which is bidding £1.36 billion to take over Distillers Co., is raising £600 million in the form of an eight-year syndicated credit priced at 35 basis points over Libor for the first three years and slightly more for the final two years. The rest is being financed through the sale of £360 million of convertible preferred shares and £840 million through the sale of common stock.

British financial institutions will be paid a better-than-normal 3 percent commission to market £500 million of the stock if the bid is successful or a 1 1/2 percent if the bid fails. The underwriting fee on the remaining shares is a conventional 1 1/4 percent.

Budget News Brings Late Price Gains

By H.J. Maidenhead

NEW YORK — Although traders and investors in fixed-income securities were mostly on the sidelines after lunch Friday, there was sufficient pre-weekend short-covering throughout the day to keep prices firm.

And when leaders of the Senate and House approved the main

U.S. CREDIT MARKETS

points in a budget-balancing bill late in the day, a flurry of buying converted losses of about \$/32 on longer maturities into gains of about that size. But the bills market continued to show losses.

Traders noted that the afternoon market was thin as word was awaited on the fate of the budget bill. The near standstill in trading also reflected congressional inaction on the national debt ceiling, which was due to fall back to \$1.8 trillion at midnight from a temporary level of \$2 trillion.

The deadlock on the debt ceiling caused the Treasury to announce a postponement of Monday's regular weekly auction of bills.

Earlier, prices managed to recover after declining slightly at the opening on carry-over selling from the unexpectedly large \$4.4-billion surge in the weekly M-1 money supply figure reported Thursday.

The rebound came amid widespread expectations that the Federal Reserve would add permanent reserves to the banking system. When the Fed did not do so, many traders and investors closed their books.

Meanwhile, the bid price of the current 90-day Treasury bill fell seven basis points to produce an effective rate of 7.41 percent. The rate on the companion six-month issue, which fell five basis points, was 7.64 percent, while the price on the one-year bill slipped four points, for a rate of 7.83 percent.

Also in the secondary market, the offered price for the 8.5-percent notes of 1987 closed up 2/32, to 100 2/32, for a yield of 8.59 percent. At the longer end of the market, the new bid-ask spread on Treasury notes, the 9 1/2 percent bond of 11 1/2, gained 5/32, to 100 1/32, to yield 9.86 percent, compared with 9.83 percent a week earlier.

In the corporate debt sector, bond prices continued to ease. Lindsey B. Richter, chief market analyst at McCarthy, Crisanti & Maffei, noted that \$3.3 billion of new corporate issues flooded the market last week.

U.S. Consumer Rates

For Week Ended Dec. 6

Passbook Savings — 5.50 %

Tax Exempt Bonds — 8.54 %

Money Market Funds — 7.48 %

Bank Money Market Accounts — 6.87 %

Home Mortgages — 12.61 %

FHLB average —

Plastics Play a Growing Role in U.S. Auto Plants

(Continued from Page 9)

rolet Camaro and Pontiac Firebird models, due out in 1989, and the new front-wheel-drive Chevrolet minivan, which will probably be a 1990 model, will have plastic skins, according to industry sources.

Plastic body panels are nothing new. The Chevrolet Corvette has had a fiberglass body since it was introduced in 1953.

Besides helping with fuel economy, plastic panels are not subject to small dents as metal and do not corrode, an advantage in northern

states with snowy winter weather. But until recently, they took much longer to make than steel panels, so they were restricted to low-volume, high-priced vehicles such as the Corvette.

Interest in the plastic panels grew, however, as the auto industry began to concentrate again on styling after years of focusing on fuel efficiency and pollution problems.

Although steel body panels are less expensive in longer production runs, promoters of plastic point out that those runs are getting shorter

as buyers demand more variety. "The market is becoming more and more fragmented," said David Cole, director of the University of Michigan's Automotive Study Center.

"Instead of 200,000 units of one vehicle, what we are going to have is 50,000 units of four different vehicles."

Reducing the cost of changing models would permit Detroit to shorten its product cycles, even to the point of reviving a cherished custom: the annual styling change. "GM would like to go back to the

old annual model change without the tremendous expense of developing all new products," Mr. Cole said. "The plastics approach makes a lot of sense."

The gleam in the eye of both the plastics suppliers and auto company designers is the possibility of "leapfrogging" the Japanese and eliminating their cost advantage of \$1,500 to \$2,000 a car by changing the basic structure of automobiles. The idea would be to make modular, sectional underbodies with plastics and then snap them together with a little adhesive.

Strength and durability are not really an issue, the designers say, pointing out that race cars and high-performance aircraft already use reinforced composite plastics.

But Hinkki Alidicki, who is in charge of advanced engineering for the Chevrolet-Pontiac-Canada group at GM, doubts that there will be an all-plastic car soon. One reason is safety. "Mild steel is very good at absorbing energy in a crash," he said. "Plastics do not have that ability yet."

Caterpillar Automation

Will End 10,600 Jobs

United Press International

PEORIA, Illinois — Caterpillar Tractor Co. will spend more than \$600 million to automate its 21 plants around the world, in a move that will eliminate about 10,600 jobs in the next four years, a company spokesman said.

Caterpillar expects to eliminate about 20 percent of its work force in the next four years, the spokesman, Stephen Newhouse, said Saturday. About half the job reductions will be made through attrition. Caterpillar, the world's largest maker of construction equipment, employs about 53,000 people.

Uncertainty on Rates Scares Off Investors

(Continued from Page 9)

of the Singapore-Malaysia market clearly affected attitudes about investing in Third World markets and Samsung ended the week at 98 1/2. The paper was largely placed with Far Eastern institutions and European funds investing in the Far East.

The big excitement was for Deutsche-mark-denominated paper. Volkswagen sold 250 million DM of 10-year bonds bearing a coupon of 3 percent and warrants to buy shares at a price of 407 DM. The bonds, offered at par, ended the week at 108.

Asko Finance, a West German retailer, sold 150 million DM of seven-year, 3-percent bonds with warrants to buy preferred shares and ended the week at 106. Credit Suisse sold 150 million DM of 10-year bonds bearing a coupon of 2 1/2 percent with warrants to buy nonvoting shares in Swiss in Elekrowatt at a price of 330 Swiss francs. This issue, priced at par, ended the week at 102.

The only DM straight bond to attract wide support was a 30-year, zero-coupon issue from the World Bank. Investors were asked to pay

130 DM for paper that will be redeemed at 1,000 DM — an implied yield of 7.04 percent. This issue was seen as a very inexpensive way for foreign investors to speculate on an increase in the value of the mark and for both foreign and domestic investors to speculate on a decline in DM interest rates.

Tension within the European monetary system, after comments from Richard Schuler, West Germany's finance minister, on the need for a revaluation of the mark, put pressure on the lira and the French franc and sent Eurodollar and

Eurofranc short-term interest rates up. That increased short-term interest rates on the European currency unit, reducing the attraction for investors to buy ECU bonds.

Instead, European investors were lured into buying high yielding Australian and New Zealand dollar bonds. West German investors especially like such paper from issuers familiar to them — West-Deutsche Landesbank, Nord-Deutsche Landesbank and UniCredit in Australia dollars and Paribas Luxembourg in New Zealand dollars.

Schering Accuses Hutton of Fraud

New York Times Service

NEW YORK — Schering-Plough Corp. has filed suit charging that E.F. Hutton & Co. engaged in securities fraud by using confidential information about the drug company for its own purposes.

Schering said in the suit, filed Friday in a U.S. court in New Jersey, that it had given Hutton the information because of a potential transaction involving Schering in which the investment firm was also

involved. Using the confidential information, the suit charges, Hutton bought Schering stock on the open market in a quantity "believed to be in excess of 2.5 million shares."

Schering is asking that Hutton be enjoined from buying any more Schering stock and that Hutton divest itself of stock already bought. Wall Street sources said last week that Hutton had been buying Schering stock in large quantities and was allied with Dart Drug Corp. in the purchases.

Baker Plan: An Outline of a World Debt Strategy

(Continued from Page 1)

than what would be needed simply for the 15 countries cited by Mr. Baker. Mexico alone is expected to need at least half the total for itself. In addition, the 15 — Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Ivory Coast, Mexico, Morocco, Nigeria, Peru, the Philippines, Uruguay, Venezuela and Yugoslavia — are named simply for illustrative purposes, as they are the countries with the largest debt, a Treasury Department spokesman said.

Mr. Baker never meant that lending expansion should be limited to those countries, but intended that it should cover all countries with problem debts, the spokesman added.

While the commercial banks are tied up wrangling over the details of the commitment they are being asked to make, the World Bank, which is supposed to move to center stage in orchestrating this decade of development, has largely disappeared from the scene.

Last week, almost two months after Mr. Baker's speech at the IMF-World Bank annual meeting in Seoul, the World Bank surfaced with a joint statement from the IMF expressing "their strong support for the initiative" and stating they "are ready and willing to play their parts in the implementation."

To outsiders looking in, the World Bank, long criticized for being a bureaucratic slowpoke, is immobilized by having a lame-duck president. A.W. Clausen announced at the Seoul meeting that he would not seek reappointment when his five-year term expires in June.

The institution is now bogged down producing studies commissioned by directors competing for the honor of which department gets to lay out the strategic plan. There is no one at the top to establish such a plan; Mr. Clausen obviously does not want to tie the hands of his successor.

A speech he is to deliver Monday in Buenos Aires was initially awaited as a major policy pronouncement. But the speech now is expected to address how to carry out the new strategy in only the most general terms.

The critical factor that is lost amid this turmoil are what conditions will be applied to the new loans made to countries that agree to submit to the Baker plan. For the commercial banks, the existence of conditions is the only safeguard that the difficult domestic reforms will be carried out and that the new money will not be lost in a bottomless hole. For the debtors, such conditions are the surrender of national

sovereignty. Thus, no debtor has yet come forward to inaugurate the Baker plan.

The conditions to be set for continued access to the Baker plan likely will be less stringent than the tough short-term targets applied by the IMF, which all the debtor countries at one time or another have failed to meet.

The new targets likely will be longer-range, permitting a more realistic amount of time to construct a healthier economic base, and will have a more positive orientation. Instead of measuring what targets the countries failed to meet, the test will likely be a positive measure of how much closer a country is to being able to pay interest and principal on loans.

The commercial banks, meanwhile, are caught up in all kinds of wrangles. Up to now, new lending has been squeezed out of them by the IMF, which tied its own commitment to theirs. The money the banks put up was measured in proportion to their own share of each country's total bank debt. It was 1982, the year the debt crisis erupted, as the base year.

Some argue that the 1982 historical base should be kept. Others, which have been active selling or swapping debt, prefer to use the current real base.

Banks that initially stayed out of the syndicated loan market and got involved in the debt crisis only because short-term interbank transactions also were rescheduled, now object to being included among the long-term lenders contributing their proportion of new funds.

The banks are also trying to use their commitment to the Baker plan as a lever to pry concessions from their own governments. These concessions include such things as tax or regulatory relief in increasing their loan loss reserves, and matching new commitments from export credit agencies.

Also still to be resolved is whether the Baker plan is a sequence of steps, beginning as the banks would prefer, with realistic adjustment programs in the debtor countries, or whether it is an integrated program of concerted action without preconditions, which the international organizations would prefer.

Despite the many unresolved issues, bankers expect European commercial banks to respond positively to Mr. Baker's request for a commitment to the program. They expect that there will be no formal commitment — a term that they see as too precise a pledge — but rather a statement of support.

U.S. Demands EC Telecommunications Opening

(Continued from Page 9)

what he said was its failure to move more quickly to open telecommunications markets. Such retaliation, he said, could take the form of duties, fees or restrictions on imports of West German products and services.

Since September, under the 1974 Trade Act dealing with unfair trade practices, the administration has initiated actions against Brazil, South Korea, Japan and the EC, and has listed more than 200 foreign trade barriers that it said impeded U.S. exports.

The administration is now examining several other cases, including allegations of unfair subsidies to Airbus Industrie, the West European consortium of French, West German, British and Spanish aerospace companies.

Mr. Yeutter said he planned to raise Airbus in his talks with West European trade officials this week. "There are a lot of allegations"

about Airbus, he said, "but the case is not ripe for action."

Mr. Yeutter also said that "telecommunications is the most contentious issue" faced by the Reagan administration in preparation for the GATT talks.

In an earlier interview after talks Friday with GATT officials, Mr. Yeutter said: "What we are trying to do in Europe this week is to begin — but we want the pendulum to begin swinging on liberalization of trade in goods and services, with telecommunications very high up on our list."

"I am hopeful that we can move this process along through the efforts of not only Mr. Bangemann, but Madame Cresson," Mr. Yeutter continued. He was referring to France's minister of industry and foreign trade, Edith Cresson.

Mr. Yeutter will meet Mrs. Cresson on Thursday in Paris, and he is expected to raise a proposed agreement between the state-owned C.E. Générale d'Electricité and Ameri-

can Telephone & Telegraph Co. that would greatly strengthen each company's position in the other's domestic market.

A Nov. 30 deadline for a French government decision passed amid continuing urging in Washington by senior AT&T executives that the administration press France for a "U.S. solution." A French opening would represent a major success for AT&T.

AT&T has been cooperating with Philips NV, the Dutch electronics company, to produce digital telephone switches for Western Europe, and, in general, to expand its telecommunications operations outside the United States.

This is part of a joint effort to compete more effectively against IBM and Japanese telecommunications companies, and the proposed link with CGB would be a key element in that strategy.

The French-U.S. agreement would also represent a major vic-

tory for CGB, which would obtain AT&T's help in marketing its telecommunications-switching equipment in the United States.

A French official said Sunday that the government still favored an "AT&T solution," but wanted to improve the terms of the original AT&T-CGB draft agreement regarding marketing CGB products in the U.S. market. This process could take at least several weeks.

The official described as "speculation" and "rumor" reports suggesting that France was seeking to replace AT&T with several West European telecommunications companies. French industry sources have cited L.M. Ericsson Teleterminal AB of Sweden and General Electric Co. of Britain, as well as Matsushita and the Bull and Jeumont-Schneider groups of France as possible replacements.

"Our hope is that AT&T will not close the door," the official said in Paris.

Mutual Funds

Flourish as class of trading Friday

NEW YORK (AP) —

The following securities

traded on the New York

Stock Exchange Friday

(Values in millions of

Monday, December 9, 1985

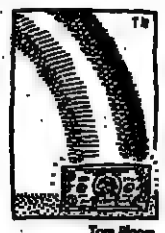
Herald Tribune

A Monthly Report for the International Investor

PERSONAL INVESTING

INSIDE

Current wisdom: 'Recovery of the dollar will not be allowed.'



John R. Hardy of Chemical Bank.
Reports on currencies and options. Page 4

Minus inflation, 'you're not going to get a booming rally' in gold.



Fred Bogart of Republic National Bank.
The outlook for precious metals on Page 5

Out on a limb: 'I am never wrong...for more than 24 hours.'



Harry Schultz, international investor and adviser.
A profile on Page 6

FOCUS

Funds in Europe: Cautious Decontrol

THE collapse in 1970 of Bernard Cornfeld's Investors Overseas Services fund empire has always represented a watershed for the fund industry. Before the IOS collapse, investors in Europe "had to look out for themselves," with unfortunate consequences, said one European Community official. After the scandal broke, member countries tightened protection for investors and, in the process, helped to create barriers that have kept the European fund market relatively segmented.

Not surprisingly, 1970 was also the year that EC officials first took up the idea of establishing rules for the sale of fund shares. Fifteen years later, they finally established some guidelines to make it easier for a fund authorized in one member country to sell its shares to citizens of another member country. Although it may be some time before a West German investor will find it as easy to purchase shares in a British fund as in a German one, the guidelines have definitely altered the rules of the fund business in Europe.

The liberalization "should quite definitely have dramatic results," said Denis Forthomme, a member of the board of the Belgian Mutual Funds Association. The combined assets of the mutual fund groups in Belgium, Britain, France, Italy and West Germany have soared to \$135 billion, buoyed by recent spectacular fund growth in Italy and France.

THERE is an incredibly large scope for selling, Mr. Forthomme observed, "but it's going to be an enormous challenge" to construct a Europe-wide market.

In one respect, fund groups are understandably cautious about predicting the results of the new guidelines, which will establish common rules allowing a group that is approved by one member nation to sell shares in all the other member countries. The guidelines, known collectively in community parlance as a coordinating directive, set a deadline for the changes of Oct. 1, 1989, for most countries.

"We're taking this thing slowly," said Stuart Gilman, European investment manager of the British group Gartmore. The group's cautious attitude is perhaps due to the diversity of Europe's national fund markets. Each has its own traditions and marketing regulations that will complicate cross-border sales, even after the new guidelines take effect, fund group directors said.

The EC Council of Ministers began debating the liberalization proposal almost 10 years ago, but it took the impending entry of Spain and Portugal this January, British government pressure and the zeal of the new executive Commission, to prod ministers to take action last month.

Ministers realized that if they waited any longer, the

(Continued on Page 14)

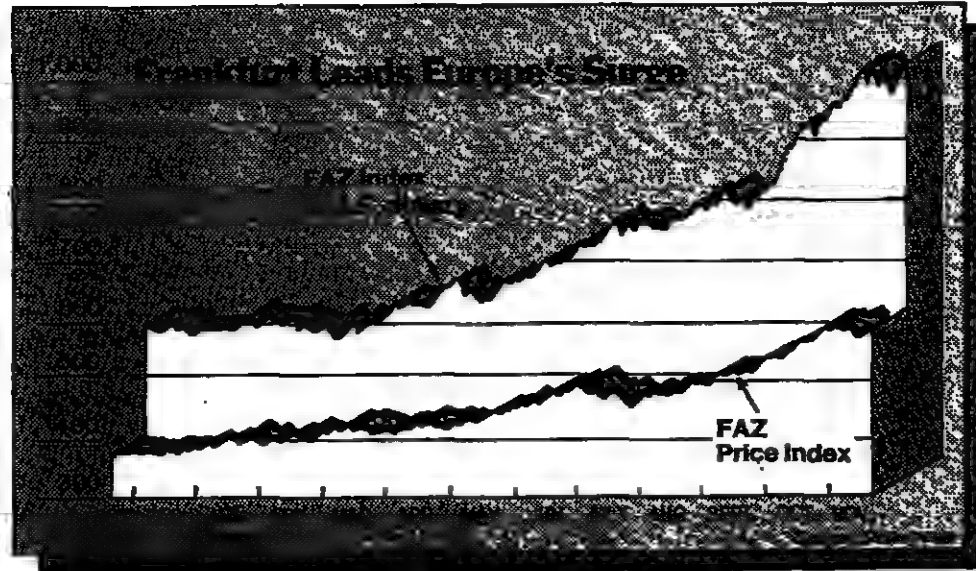
The Rally in Europe Shows Its Staying Power

By John Meehan

GUNTHER Burgold is a busy man these days. As a senior trader for BHF-Bank, the West German merchant bank, he is a picture of perpetual motion as he glides around the floor of the Frankfurt Stock Exchange, answering phones, scanning televisions and studying the price swings on the huge electronic tone board that dominates the exchange. Every week he squeezes a mile or two into the mere 20 feet that separate his small cramped office on the edge of the trading floor from the Markterstrasse, the rectangular desk in the center of the market where specialists execute orders.

"I wouldn't say that was the busiest I have been, but we haven't seen that kind of activity in a long time," Mr. Burgold, a veteran of 27 years on the trading floor, said of the June through October period. "I couldn't even get away for vacation. I couldn't afford to be away from my desk."

In many ways, Mr. Burgold's hectic work schedule reflects a profound switch in investment strategy in the past year. Although equity markets around the globe continue to touch record highs, the fading romance with the Tokyo market and uncertainty about prospects in the United States have translated into an unexpectedly big boom for markets in continental Europe. The Frankfurt and Zurich exchanges, whose prices moved at a glacial pace through most of the 1970s and early 1980s, suddenly found themselves in the limelight, ranking among the world's top performing markets in 1985. Even the tiny Milan market, shunned



for years by global investors because of its thinness and volatility, has brightened its image thanks to an influx of foreign funds.

The big question on the minds of many portfolio strategists is how long the European rally will continue. The Frankfurt Allgemeine Zeitung index of 100 leading West German stocks languished from 1967

until 1982 when markets began to stir in response to Wall Street's legendary summer performance. It closed out November at 583.62, up almost 60 percent from a year ago.

Mr. Burgold said a brand new dimension has been introduced to the 1986 market with Deutsche Bank's surprise announcement that it would float most of the

Flick industrial empire, valued at over 5 billion DM (\$1.9 billion), on West German stock exchanges next year. He said it was too early to evaluate the impact of what will be West Germany's largest share offering.

"In keeping with pattern we've seen over past year, it appears British and U.S. institutional investors had closed out most of their investment activity by early November, accounting for the sharp drop in trading volume in November from record figures reached during the summer," Mr. Burgold added. "I expect heavy institutional investor activity will be taken up toward the end of January, with professional operators out of London and the U.S. taking the lead."

As investors restructure their portfolios for 1986, concern over the vitality of the European markets has replaced the broader themes that occupied investors through most of 1985. The debate over the slowdown in U.S. economic growth and its side effects on the rest of the world has substantially subsided. Even fear of the dollar has faded.

Roger Nightingale, chief economist at Hoare Govett in London, sees the Sept. 22 meeting of the Group of Five finance ministers as a turning point that reshaped the environment for investors. Although most global investors had been trimming their dollar exposure for some time in anticipation of a significant drop in the U.S. currency, the public announcement that governments of the United States, Japan, France, Britain and West Germany would cooperate to arrest the dollar's ascent removed a lot of the guesswork. "The investment climate changed totally because of

(Continued on Page 12)

NEW YORK

After the Surge, Caution Sets In

The three-year-old bull market surprised most investors with its stamina this fall, when the Dow Jones industrial average topped 1,400 and continued to gallop to new highs almost daily. But most analysts expect the market to run out of steam early next year, perhaps correcting itself by 10 or even 15 percent. If, as most experts expect, next year's growth is concentrated in the latter part of the year, the bull might not come back until the second half.

"You have to discount the managers who say it's going to be a fantastic year," said C. Bruce Johnston, portfolio manager of Fidelity's Equity-Income Fund. "We're not looking for that."

Caution is understandable. Equity valuations have so far risen more than 70 percent in a year when corporate earnings are expected to finish flat or, at best, up 5 percent. "That's a tough act to follow," said Abby Cohen, an investment strategist

at Drexel Burnham Lambert. She and others attribute the unusual rise in part to the growing cash reserves chasing a decreasing supply of issues. Last year, mergers and stock repurchases took \$70 billion in shares out of the market. Another \$104 billion have been siphoned off so far this year.

There has not been a corresponding drop in demand. Institutional investors, some managing ballooning pension funds, continue to funnel their assets into the stock and bond markets, encouraged by the falling interest rates and persistently low inflation that have made alternatives such as real estate and precious metals relatively less attractive. Strong foreign demand has also helped to buoy prices.

But the bull's strength must be measured against a backdrop of increasingly complex factors affecting the economy. The federal budget deficit has increased U.S. reliance on the strength of foreign economies. Consumer and corporate debt levels also have reached unprecedented highs, leading many experts to wonder if further recovery can be sustained. "These fundamental excesses will begin to bite" early next year, warned Steven G. Ein-



Steven Einhorn of Goldman Sachs.

horn, co-chairman of Goldman Sachs's investment policy committee.

Few economists predict more than modest growth next year. Gross national product in the first half of 1986 will likely increase at a slower pace than the 2.5-percent average for 1985. Activity probably will not pick up significantly until mid-year, when the benefits of the Group of

(Continued on Page 13)

EUROPE

An Emphasis On Blue Chips

The steady gains on continental bourses may have pushed prices of popular shares to historic levels, but portfolio strategists are cautioning hopeful bargain hunters about turning to lesser-known stocks. With many of the smaller stocks lacking sufficient liquidity, analysts continue to recommend the blue-chips for early 1986.

Indeed, the investment themes remain unchanged. The only significant development involves Milan, where hectic buying has given way to caution on the part of many portfolio managers. Foreigners flooded the narrow market with cash earlier this year in response to the sanctioning of mutual funds in Italy. The Banca Commerciale index has doubled in the past year, and some fund managers are taking their profits.

In Frankfurt, Meinhard Carstensen, deputy managing director at Dresdner



A Daimler-Benz worker at a plant in Bremen.

Bank, continues to favor financial services. "Bank stocks still look good," he said. "The banks are making a lot of money this year." With Deutsche Bank, Dresdner Bank and Commerzbank expected to post record profits this year, all three top the buy list of most analysts. Big industrial companies remain popular, especially Siemens. Auto companies

(Continued on Page 13)

FAR EAST

Trade Frictions Pressure Market

It is traditional for the Tokyo stock exchange to stage a year-end rally and close on an optimistic note, something market watchers fully expect to occur again this month. But the surge, if it comes, will hardly camouflage what has been a bumpy, unfocused year. The Nikkei-Dow Jones index of 225 stocks moved in fits and starts, briefly breaking a record 13,000 but also taking its steepest plunge in history.

Blue-chip and high-technology issues that once fueled the market bottomed out during the summer, dented by U.S. trade friction and sluggish semiconductor sales. For months the market has cast about unsuccessfully for a significant theme, dipping into a series of such domestic-related areas as construction, real estate and defense. Since the start of the year, the index has advanced just over 10 percent, a tepid performance in face of previous annual gains and the brisk rallies in Europe and the United States.

Most market observers expect more of the same in the first half of 1986—plenty of turbulence and no dominant theme. Shading the picture are predictions of a further U.S. economic slowdown, a dip in Japanese corporate earnings and fears that



A Japanese pharmacy. Drug shares have been jolted.

Japan's economic growth will fall to around 3 percent or less in fiscal 1986, down from this year's anticipated 4 percent. Moreover, analysts suspect the yen will be maintained at around 200 to the dollar, defusing trade friction somewhat, but also slowing exports. Interest rates are expected to fall in the first half, but will likely be kept sufficiently high to support the yen.

What direction the market will take in the second half is where opinions begin to diverge. Some, like Akio Kohno, chief economist at Daiwa Securities, think the market will strengthen sometime in the spring and continue fairly strong through the year, riding on expectations of a recovery in blue chips, new government policies to stimulate domestic demand, weak oil

(Continued on Page 13)

LONDON

No Shortage Of Confidence

The Financial Times all-share index has advanced 13 percent since September, and the average price-earnings multiple on the London Stock Exchange is approaching 14, but Keith Brown, head of equity research at W. Greenwell & Co. in London tells investors not to worry. "It might seem like the market is at a turning point," he said. "But it's not."

Strong corporate profits and rising dividends, he argues, will likely sustain the autumn rally on the London Stock Exchange through next year as the market experiences the "Big Bang" of deregulation and prepares itself for a national election in 1987. Kenneth Inglis, head of equity research at Phillips & Drew, agrees. "Right now the market feels somewhat overbought. But that doesn't mean it won't be higher a year hence."

Few analysts expect British stocks to duplicate 1985's performance next year.



Prime Minister Thatcher. Investors ponder elections.

Earnings rose about 15 percent this year thanks to a solid economic growth rate of about 3 1/2 percent and strong consumer demand. The market also received a boost from well-publicized takeovers and the ensuing speculation about possible targets. But the outlook is upbeat. With the Conservative Party government of Margaret Thatcher facing probable elections in 1987, analysts are confident that the government will pursue its mild expansionary

(Continued on Page 12)



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Outlook: A More Tranquil Currency Environment

(Continued From Page 11)

G-5," Mr. Nightingale said. "I wouldn't be surprised if all markets set new highs."

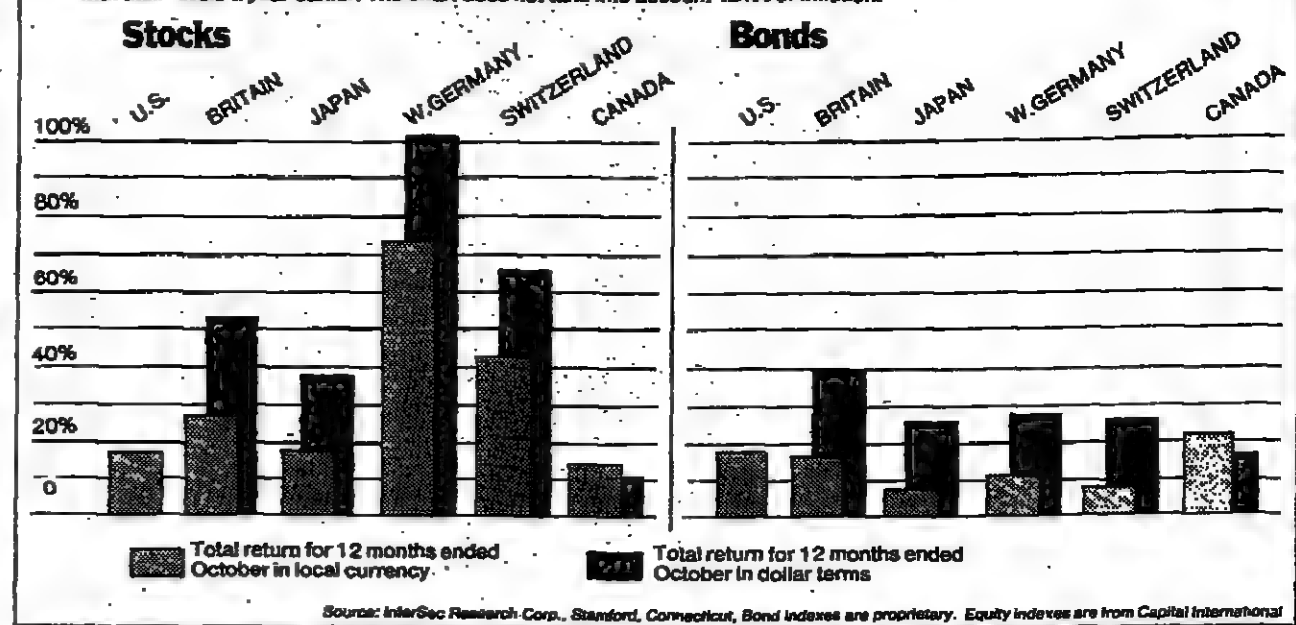
With a degree of safety against a resurgence or a sudden collapse in the U.S. currency, investors find themselves in a more predictable, if not yet tranquil, currency environment. The dollar's 25-percent drop in value since Jan. 1 has failed to generate any turmoil within the European Monetary System. Conventional wisdom held that as the dollar descended, the stronger EMS currencies, like the Deutsche mark, would rise so quickly as to force another realignment. But with inflation down, interest rates down and deficits declining among European countries, there has been little of the traditional pressure for a readjustment in parity.

More importantly, however, the G-5 meeting represented a tacit acknowledgment from Washington, Tokyo and European capitals that they would continue to pursue a more lenient monetary policy, nurturing economic growth at modest levels while bringing interest rates down another notch or more. Nigel Hurst-Brown, who manages fixed-income portfolios for Hill Samuel in London, thinks U.S. rates will drop another 100 basis points, or one percent. "We will see it sooner rather than later," said Mr. Hurst-Brown. "One isn't given such indication very often on where to make money."

Although officials in the Reagan administration have privately criticized Bonn's lack of zeal in pursuing a mild inflation, it is clear that most governments are

Total Return: Stocks Outrun Bonds

Total return measures both the changes in the prices of securities and the income they provide, either in dividends or interest. Gains or losses were measured by comparing market indexes with their levels a year earlier. The chart does not take into account taxes or inflation.



easing their restraints, shedding some of the monetarist policies that have been their mainstay since the inflation days of the late 1970s and early 1980s. "Everyone in the world seems to be accelerating money growth," Mr. Nightingale said.

With the recurring fear of another recession again postponed, U.S. economic growth, some economists believe, could be as low 1

percent to 2 percent in the first half of 1986. A quicker pace is forecast in the second half with growth for the year possibly climbing to about 3 percent compared with about 2.5 percent this year. Steadier growth is expected in Europe and the Far East. West Germany's gross national product is forecast to grow at an inflation-adjusted rate of 2.5 percent to 3 percent in 1986; Japan's growth

will likely average about 3 percent to 4 percent.

How long the current environment will last remains uncertain. Mr. Nightingale echoes other experts when he warns that the huge debt load that has been accumulated by governments, corporations and individuals could eventually spell trouble as economic growth slackens. The bulging trade deficit in the United States

also continues to cloud the horizon. Congress, he fears, may piece together some deficit-reducing legislation toward the end of 1986 that will include protectionist measures.

Nevertheless, the climate in the near term seems more predictable than it has in a long time. "Unfortunately, it's more difficult to make money," said Bernard Ratray, a director at American Express Asset Management in London. "The game is to become more inventive in picking stocks and markets to make money."

Despite the exhaustive pace of equity markets in Europe, most global portfolio managers are betting on further gains and remain overweighted in continental bourses and somewhat underweight in the United States and Japan. "The bull markets in Europe are relatively recent if you take the long-term perspective," Mr. Ratray said. "And you could say that they are substantially undervalued."

Each record high in Frankfurt, Zurich and Amsterdam can be measured in degrees of anxiety about a possible correction, but analysts are limiting the downside risk. One reason is that European stocks remain relatively cheap thanks to robust company profits. In Frankfurt, for example, the average price-earnings multiple edged up to 12 from 10 thanks to a 20-percent surge in corporate profits this year. Dutch stocks, meanwhile, are selling at about 9½ times earnings after a 14-percent gain in corporate profits this year.

No one suggests, however, that the European markets will duplicate their 1985 performance next year. Corporate earnings in Europe likely will slow. Commerzbank bank, for example, predicts only a 5-percent growth in earnings for West German companies in 1986. Kees van Dalen, head of equity research at Algemene Bank Nederland in Amsterdam foresees the growth in Dutch earnings at 18 percent to 12 percent, still healthy but down slightly from 1985.

Portfolio strategists are decidedly less enthusiastic about U.S. stocks. As the bull market winds up its third year, analysts are more inclined to characterize it as fatigued rather than mature, even though the New York Stock Exchange continues to set records. With economic growth slowing, the dollar descending and consumer spending declining, the short-term outlook is less buoyant than it was six months ago.

Caution also is prevalent among money managers when talking about Japan. A stunning showing in 1983 and 1984 has propelled price-earnings multiples on the Tokyo Stock Exchange to a lofty average of 26. Moreover, after stumbling last year in response to slower U.S. growth and rumblings in Washington about protectionism, Tokyo remains a market of rotating themes, none of which have demonstrated any staying power. John Templeton, who oversees \$4 billion in the Templeton Group of Mutual Funds from his base in the Bahamas, once had 50 percent of his assets in Japan. Today, he said, "I own practically nothing."

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LONDON

Rosy Views On Profits

(Continued From Page 11)
policies, especially now that sterling has improved against the dollar.

"The government will ride the consumer tiger right to the elections," Mr. Inglis said. He sees a 10-percent increase in corporate profits in 1986, which will allow a similar rise in dividends. Mr. Brown at Greenwell also thinks earnings will rise 10 percent as the economy grows at a comfortable rate of 2½ percent next year. This, he says, will force price-earnings multiples back to a more attractive average of 12½ in 1986.

Another major impact on the 1986 market will be a further wave of privatization of government-owned industries. By far the most significant will be the sale of British Gas, which will take about £10 billion (\$14.8 billion) of funds from the market over two years.

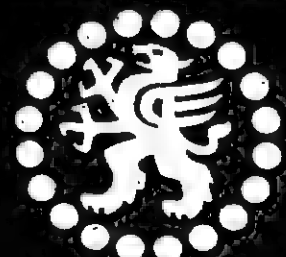
Mark Cliff of Capel Cure Myers

believes that fears of the impact of privatization on equity sales may prove to be exaggerated. "Downward pressure may be relieved in several ways," he said. "Discount pricing and heavy marketing of each floatation will lead to a greater proportion being taken up by the personal and overseas sectors." Moreover, he says the tax cuts paid for by privatization will benefit institutional cash flow, allowing more funds for investment.

Michael Hughes, an analyst at De Zoete & Bevan, sees electricals as next year's recovery sector. "Once GEC moves, then the whole sector will go," he said. Among electricals, Mr. Brown likes Ferranti. He also recommends Lloyd Bank.

Mr. Inglis of Phillips & Drew looks to the consumer sector. With proposals to expand the hours that pubs can remain open, he recommends breweries like Whitbread. He also favors what he calls "Dentsche mark sensitive" stocks that will see earnings rise as sterling loses ground against the West German currency. He says ICI and GKN are two examples.

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Outlook: Underweighting New York and Tokyo

NEW YORK

'A Tough Act To Follow'

(Continued From Page 11)

Five's efforts to drive down the dollar begin to take effect. At that time, growth could hit an annual rate of 3 percent by next summer, possibly setting the stage for another market rally.

Analysts uniformly stress that their forecasts would lose much of their rosy glow if several basic assumptions do not prove correct. First, the dollar must drop further and stay down. Second, the Federal Reserve Board must maintain its recent accommodative stance. Paul A. Volter, the chairman who has battled inflation throughout his career, has pleased investors by allowing the money supply to outpace this year's target, presumably to assist the fall of the dollar and interest rates. If the Fed becomes alarmed again about inflation and tightens monetary policy, however, growth may be further stymied.

But despite what might be called a consensus on the prospects for long-term growth, caution prevails in the short term. "I wouldn't be surprised if I were recommending selling stocks and raising cash three months from now," said Mr. Einhorn of Goldman Sachs. Last month, Drexel Burnham began advising its clients to decrease their share holdings by 20 percent. And many investors who had previously emphasized sectors and cycles are adopting a "bottom-up," or company-by-company approach.

The dollar's recent fall has made multinational companies an overwhelming favorite among professional investors. Companies that derive a substantial amount of their profits from foreign activities — IBM, Coca-Cola and Eastman Kodak — are expected to realize greater profits as they translate their earnings abroad into dollars. Fred Frankel, an analyst with Prudential Bache, favors Gillette and CPC International.

Analysts are divided over whether short-term interest rates will fall or remain steady before they rise next year. Those who predict another drop are emphasizing interest-sensitive stocks such as regional banks, insurance companies, savings and loans, and brokerage houses. Mr. Frankel recommends First Executive and Continental Insurance companies. First Union Bank of North Carolina, and financial service firms Dreyfus, Paine Webber, and Quick & Reilly. T. Rowe Price's chief economist, Ben Laden, who expects interest rates to hold tight before rising, predicts that housing and construction sectors will be hurt most seriously.

Restructured companies have become increasingly attractive to investors looking for alternatives in a low-growth environment. Mr. Johnstone of Fidelity favors Ford and Chrysler, both of which have engaged in aggressive stock-repurchase plans.

For the longer term, analysts who expect a resurgence in economic growth during the second half of 1986 are again looking at cyclical stocks such as machinery companies, industrial commod-



Workers at a Ford Motor Co. plant in Ypsilanti, Michigan, showing the profit-sharing checks awarded to them earlier this year. Ford is restructuring through a stock-repurchase plan.

ities, papers and chemicals. Michael Sherman, chief investment strategist for Shearson Lehman Bros., lists Corning Glass Works, National Gypsum and Collins & Aikman. Mr. Einhorn recommends American Cyanamid.

Some analysts also are taking a second look at sectors that have long been out of favor with investors. Mr. Einhorn and others expect a turnaround from small-capitalization companies, which have underperformed for the last two years. Mrs. Cohen prefers oil companies because of their ability to

generate cash. She considers Royal Dutch and Solio to be good values. Byron Wien of Morgan Stanley suggests examining oil-service stocks.

But Mrs. Cohen notes that bargains are rare in the current market, where stocks have risen from an average price of 8 times projected earnings in 1985 to 11 times earnings forecasts. "How much higher can they go?" she asks. "Consensus estimates for next year are already built into the market," she added. "It's time to start looking to 1987."

FAR EAST

Turbulence May Continue

(Continued From Page 11)

prices and changes in the domestic consumer pattern.

"The Japanese economic situation will get worse before it improves. But the recovery should come in the year's second half, not in 1987 as previously thought," said Mr. Kohno, speculating that the dollar's decline will improve the outlook for U.S. economic growth. Others are less confident, predicting an open-ended period of uncertainty. "We don't expect stocks to perform all that well next year," said one foreign analyst.

Not surprisingly, the result of these divergent views is a varied and sometimes contradictory roster of strategies and recommendations for 1986. Some investors are staying with domestic-related issues. Picks tend to be in high-technology areas, such as telecommunications, optical communications and other sectors not overly dependent on exports.

Many money managers are maintaining a highly diversified portfolio, hoping that careful share rotation is the best insurance until the market develops direction. Returns are minimal using this strategy, but Tetsuhiro Miyake, head of international research for Nomura Securities, says "it is difficult to focus on any specific area and topic stocks will continue to rotate."

Still others think blue chips will finally make a comeback. But cautions like protectionism, the blurred economic future in the United States, the stronger yen and downward earnings projections are making choices more complex. Mr. Kohno foresees a recovery in big high-tech issues preceding the expected second-half upswing in the U.S. economy. He thinks companies like NEC, Fujitsu, Hitachi, Toshiba and Matsushita will be even more resilient than before. Strong enough, he maintains, to overcome the ill-effects of a robust yen.

Hidemichi Sawa, director of research at Prudential Bache in Tokyo, also favors the internationally known issues. But he offers some advice in this area. Choose shares with relatively low export exposure or with new products like facsimile machines, he says. His picks include Kokusai Electric, Fano, Sumitomo Electric, Sony, Ricoh, Canon, NCR Japan and Fuji Photo.

The prospects of slower U.S. growth also weigh heavily on the share market in Hong Kong despite its recent record performance. With the colony's heavy dependence on the U.S. market for its exports, the slowdown in the United States has required a readjustment of official economic growth estimates for 1985 and dimmed expectations for 1986. In his semiannual economic review, Financial Secretary Sir John H. Bremridge lowered his forecast for gross domestic product from 7 percent to between 4.5 percent and 5 percent.

A second worry is the political outlook for Hong Kong, which reverts to Chinese sovereignty in 1997. For the most part, the political factor had retreated noticeably to the back of institutional investors' minds, and the surge of trading activity in the last two months was largely led by institutions.

GENERAL confidence was jolted last month, however, by reports that China was upset about Britain's introduction of indirect elections for the local legislature. The reports raised concern that China would not honor its pledge not to interfere in Hong Kong's civil and commercial freedoms during the transition period to 1997 and for 50 years thereafter. The stock market, which some brokers argue was due for a technical correction anyway, plummeted 49.6 points in only one day after the reports surfaced.

Still, "at an average price-earnings ratio of 13 coming down to 12 in 1986, you can't call this market cheap," said Shane Norman, assistant director at N.M. Rothschild & Sons. "It all comes down to a confidence factor, and on that, the jury is still out."

Sector by sector, the outlook is likely to be erratic during 1986. In the property sector, which accounts for about one-third of the weighting of the Hang Seng index, analysts favor Hongkong Land, Sim Hong Kai Properties, Henderson Land, New World Development and Hutchison Whampoa. Selected industrials also are worth watching in 1986, analysts say.

This report on the outlook for world markets is based on reporting by Colin Chapman in London, David Tunin in Zurich, Terry Truico in Tokyo, Dinah Lee in Hong Kong and Leslie Whitaker in New York.

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(Continued From Page 11)

like Volkswagen and Daimler-Benz and the leading chemical firms — BASF, Hoechst and Bayer — also are favored.

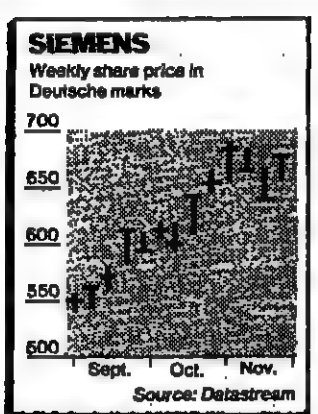
"These bigger companies have grown as fast as the smaller ones," said an analyst at another major West German bank. "Their multiples are still attractive."

Analysts, however, are less excited about some of the new issues that captured the attention of investors earlier this year. Nixdorf, the computer maker, is selling at twice the market multiple.

Investors are pursuing a similar strategy in Switzerland. The Swiss Bank Corp. index closed Friday at 587.4, up 45 percent from the start of the year.

Among Zurich analysts, the consensus is that the highs have not yet been reached. Most experts expect the Zurich market to add 10 percent or 15 percent in value within the next three to six months, an increase likely to send the Swiss Bank Corp. index comfortably above the 600 mark.

The reason for optimism is root-



Two famed Swiss names that have underperformed are the drug-making concern, Hoffmann-La Roche, and the engineering and machinery company, BBC Brown, Boveri & Co. Hoffmann-La Roche's stock has trailed the market by 20 percent for the past six months, but the company is very healthy and dedicating such huge sums to research that the shares may be poised, in the opinion of some analysts, to catch up with the market. Brown, Boveri, a highly regarded engineering outfit, is regarded by some analysts as the lowest-priced Swiss high-technology company.

Potential big earners include all five of the largest banks — Union Bank of Switzerland, Swiss Bank Corp., Credit Suisse, Bank Leu, and Swiss Volksbank.

In Amsterdam, analysts are confident that the market will continue its advance in the first quarter. Food shares like Unilever and Heineken, which are benefiting from strong export earnings, continue to rate a buy from most observers. Philips, the giant electronics group, and Royal Dutch Petroleum also are recommended. Meanwhile, Stephen Butz, head of Morgan Stanley Asset Management in London, thinks it is time to look at the depressed sectors as

well. He likes Nedlloyd and Van Ommen, two Dutch shipping companies.

Kees van Dalen, head of equity research at Algemeen Bank Nederland, warns that the market may consolidate its gains in March and April ahead of the May general elections.

THE center-right government, whose policies have favored the corporate sector, is facing a strong challenge from a center-left coalition. Public opinion polls show that the Christian-Democratic-Liberal coalition could lose its majority if elections were held now.

Elections also loom in France, where the center-right parties are expected to replace the Socialist majority in legislative balloting in March. John A. Lindsay, who tracks continental European markets for Phillips & Drew, said he expects the projected outcome to be a positive signal for the Paris bourse, which has flourished under Socialist rule. Analysts recommend export-oriented companies, like Mobel Hennessy, Perrier and BSN. Others are giving high marks to Peugeot and Michelin as long-term buys.

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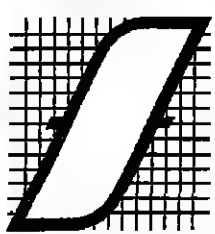
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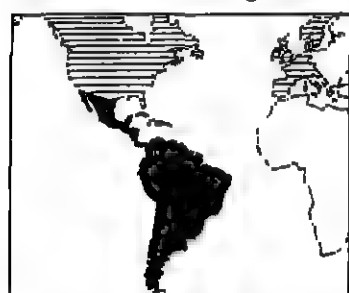
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Using Options For Betting On the Dollar

By H.J. Maidenberger

FOR THE investor who is interested in the foreign exchange market, currency options afford a convenient way to take a position on whether the dollar will rise or fall within a certain period of time. Given the uncertainty of the dollar's future course, an investor who guesses correctly can reap huge profits. Those who are wrong can lose their entire investment, but unlike the futures market, they will never be at risk for more than they originally have put up, and that can be as little as \$1,000 or \$2,000.

Many options players, for example, doubled their money on Monday, Sept. 23, and have increased their profits since then. The reason: on Sunday, Sept. 22, the United States, Britain, France, West Germany and Japan agreed to work toward the reduction of the dollar's value. The next day, the dollar dropped 5 percent, its largest one-day decline ever, and it has been in a downward trend since. Those who made money had purchased call options on such currencies as the British pound, Japanese yen and Deutsche mark. In effect, they sold the dollar short by betting that the underlying foreign currencies would rise against the dollar.

On the other hand, those who sold the call options on those foreign currencies in the belief that the dollar would remain strong or appreciate further lost heavily.

An option gives the buyer the right, without any obligation, to buy (call) or sell (put) a certain amount of foreign currency at a specified "strike price" during a fixed period of time. The cost of the option is termed the premium, and it is determined through a continuous exchange auction process.

Options are "written" by investors who do so simply to earn the premium. Because writing entails unlimited risk for limited profit, only the most experienced options traders should engage in this side of the business. The same applies to the multitude of strategies that involve simultaneous purchase and writing of options, or combining options and futures.

"The ordinary investor need only make a few decisions before investing in currency options, and the first one, obviously, is whether they think the dollar will rise or fall," said Alan C. Leventen, president of Twenty-First Futures, a unit of Twenty-First Securities Corp. of New York. "The second decision is how long it will take for the dollar to perform as expected, what foreign currency should be used as a surrogate for the dollar and, finally, how much to invest."

Most experts expect the dollar to decline over the next year, but no one can say how far or how quickly it will fall. Those who judge correctly could be big winners in the currency options market because options are highly leveraged instruments, Mr. Leventen noted.

The behavior of the British pound is a prime example. When the March 1985 British pound contract expired, the underlying currency was worth about \$1.05. It was worth \$1.25 when the June option expired. And when the latest quarterly option contract expired in September, the pound was at \$1.45.

Because the standard British pound options traded on Chicago Mercantile and Chicago Board Options exchanges consist of \$25,000 (\$37,000), each cent's move by the pound raises or lowers the contract's value by \$250. Investors who prefer small-

er foreign currency options can trade half-size contracts on the Philadelphia Stock Exchange.

How much money was actually made by those who had guessed right also depended on which of the quarterly options they had bought — March, June, September or December. The longer the contract, the higher the premium because it gives the buyer more time for the option to produce a profit.

Most individual investors need not be experts on foreign exchange to have a fair chance to make profits, provided their brokers, like professional traders, have access to computerized trading strategies. Computers can "crunch" volumes of complex mathematical data in seconds, provide minute-to-minute statistical data and indicate market trends.

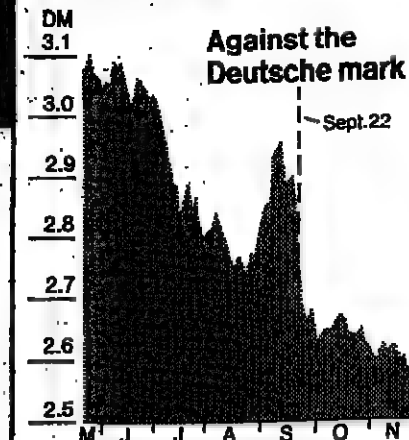
The other major factor in determining the premium cost is how close the underlying currency is to the value specified in the option — in the jargon of the trade whether it is at, in, or out of the money. For example, assume that British pounds are trading at \$1.45. An option with a strike price at or very close to \$1.45 would be an "at-the-money" contract. Strike prices for currency options are set at various increments, depending on the size of the contract.

Using the same example, a pound call option with a strike price of \$1.425 or less would be termed "out-of-the-money," while those trading at \$1.475 or more would be "in-the-money." But an out-of-the-money option does not imply that it will carry a less expensive premium or that an in-the-money contract will be costlier. The premium depends on which way the market consensus leans.

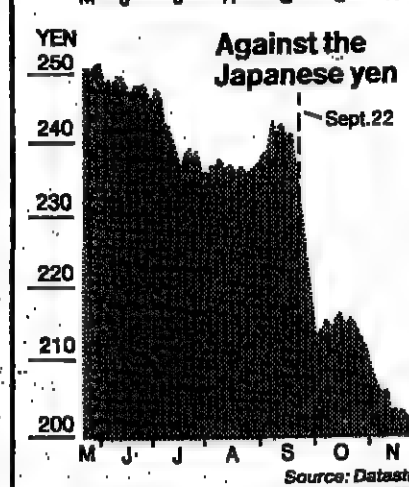
Recently, for example, when the pound was worth \$1.40, the premium for an at-the-money December option on the Chicago Mercantile Exchange was 4.30 cents per pound, or \$1,075 per \$25,000 contract. At the same time, a December \$1.375 out-of-the-money option traded at a premium of 3.5 cents, or \$875 per contract, while an in-the-money option with a strike price of \$1.425 carried a premium of 3.25 cents, or \$812.50.

Another variable in the pricing of premiums was introduced Sept. 30, when the Chicago Board Options Exchange began trading "European style" currency options, which cannot be exercised by the

Knocking Down The Dollar



Against the Deutsche mark



Against the Japanese yen

Source: Datastream

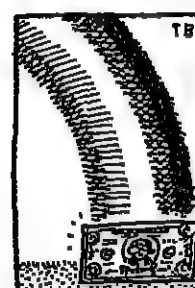
buyers until they expire. Because the buyer cannot cash in a profitable option until then, buyers pay smaller premiums and the odds would seem to favor writers.

By comparison, the Chicago Merc's currency options may be exercised at any time by exchanging them for the underlying futures.

Above all, investors must be alert to the fact that options are a "wasting asset." Each day the contract draws closer to expiration it either rises or diminishes in value, at a rate determined by computer, and it could expire worthless, except as a tax deduction. But the computer cannot tell the investors how much to risk betting on or against the dollar.

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Forecasts Focus On Interest Rates



Currency forecasting has never been a exact science, as the dollar's erratic journey over the past five years has shown. But the Group of Five's September meeting has provided another argument for a further decline in the U.S. currency in 1986.

The market believes that "recovery of the dollar will not be allowed" by the Group of Five, says John R. Hardy, director of Chemical Bank's foreign advisory service. The dollar's value has dropped 15 percent since the United States, Japan, West Germany, Britain and France announced Sept. 22 that they would coordinate efforts to bring the dollar down. Mr. Hardy projects exchange rates of 2.40 Deutsche marks and 190 Japanese yen per dollar by next June. His estimates are based on expectations of continuing softness in U.S. interest rates and economic growth in Europe, especially in West Germany.

Kota Waschio, a Tokyo-based economist with Nomura Securities, matches Mr. Hardy's projection for the yen, but places the mark slightly higher, at 2.45, by mid-1986. Mr. Waschio expects the Federal Reserve to cut its discount rate once or twice next year. He does not expect Japan to take similar measures before next spring when "the central banks of Japan and Germany may be forced to strengthen their own currencies to fend off protectionist sentiments in the U.S., especially since 1986 is an election year."

Stephen Lewis, an economist with Phillips & Drew in London, stresses the desire of the U.S. government to have the dollar fall gradually. That is why he does not expect the Federal Reserve to cut the discount rate by more than one-half a percentage point in the early months of next year. He puts the dollar at 200 yen and 250 marks by mid-year. He expects that Japanese efforts to bolster the yen will push the dollar under 200 yen by the end of 1986.

Cautious Decontrol for Europe's Funds

(Continued from Page 11)

new directive would have to be renegotiated with the two new members, EC officials said.

What the directive does is set out basic requirements for the structure, investment and pricing of the funds. If a fund located in

one member nation meets these requirements and is approved by the national authorities, it is then free to sell in other member nations.

The funds, however, still will be subject to the marketing rules of the particular country or countries it chooses to enter. "This is a re-

quirement that many fund officials say is one of their biggest current obstacles to foreign sales, and they believe it is one of the major limitations to the EC directive.

There are only two EC countries, for example, that permit door-to-door selling — Italy and

France, according to Mark V. St. Giles, director of GT Unit Managers — although the British Parliament is to soon consider a bill allowing this technique.

Another major problem that funds face when trying to break into a foreign market is establishing a distribution network that will give them access and credibility. "If I walked down the street in West Germany and tried to sell, no one would know anything" about the fund's quality, said Paul Bateman, marketing and development director of Save & Prosper, a British fund group.

To meet this problem, Mr. Bateman said, his company plans to do marketing research next year in several European countries.

Mr. St. Giles sees another challenge in finding foreign intermediaries — a natural bit of "commercial brutality" in the attitude of national fund markets toward outsiders, which he said will make international transactions "slow in coming."

Cross-border sales of funds also are limited by the foreign-exchange controls in four EC countries — France, Italy, Ireland and Greece. A second directive approved by the ministers actually allows the free flow of capital concerned with fund transactions, but countries with balance of payments problems or capital flight difficulties are permitted to ask for exemptions from this requirement.

Steven J. Dryden

Shearson Lehman Brothers

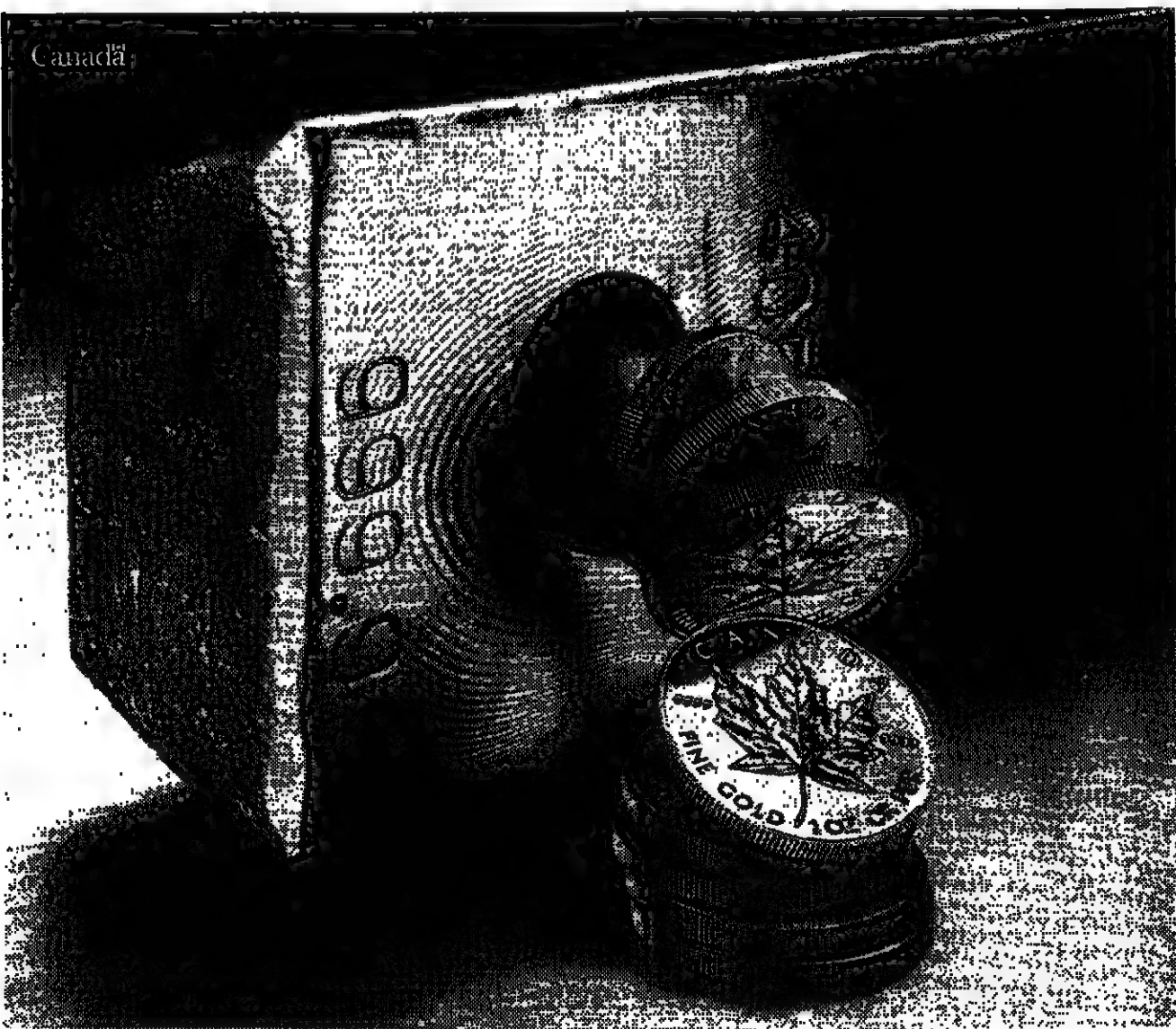
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Yen Deposit	Yen 520.4	6.82
S&P 500	\$ 5.177	3.55
N. American	\$ 1.20	0.50
Japan	\$ 1.20	0.50
Pacific Basin	\$ 1.43	0.00
Intl. Growth	\$ 1.52	0.60
British	£ 1.42	2.00
Sterling Gilt	£ 1.08	10.25
Intl. High Income	\$ 1.05	11.00
Yen Conv. Bond	Yen 1532.00	3.20

* Prices as of 6/12/85

Goldbugs Pin Their Hopes For 1986 on Inflation

The metal's vigor wanes at about \$340, but platinum's rise offers some hope.

By Bruce Hager

New York

THE NEWS for precious metals has been pretty good lately. The Group of Five's intervention significantly weakened the dollar, metals prices have stabilized, and the Federal Reserve's accommodative monetary policy is leading some to expect higher inflation in the months to come.

At the same time, precious metals have acted with more vigor than gold. At the New York Commodities Exchange, traders still haggle over nickel and dime while gold and silver prices sit stubbornly in the middle of their 1985 price ranges.

I don't see any major influences pushing gold higher," said Michael Coulson, gold analyst at Phillips & Drew in London, adding that he thinks prices might even drift below \$300 by February because of investor apathy.

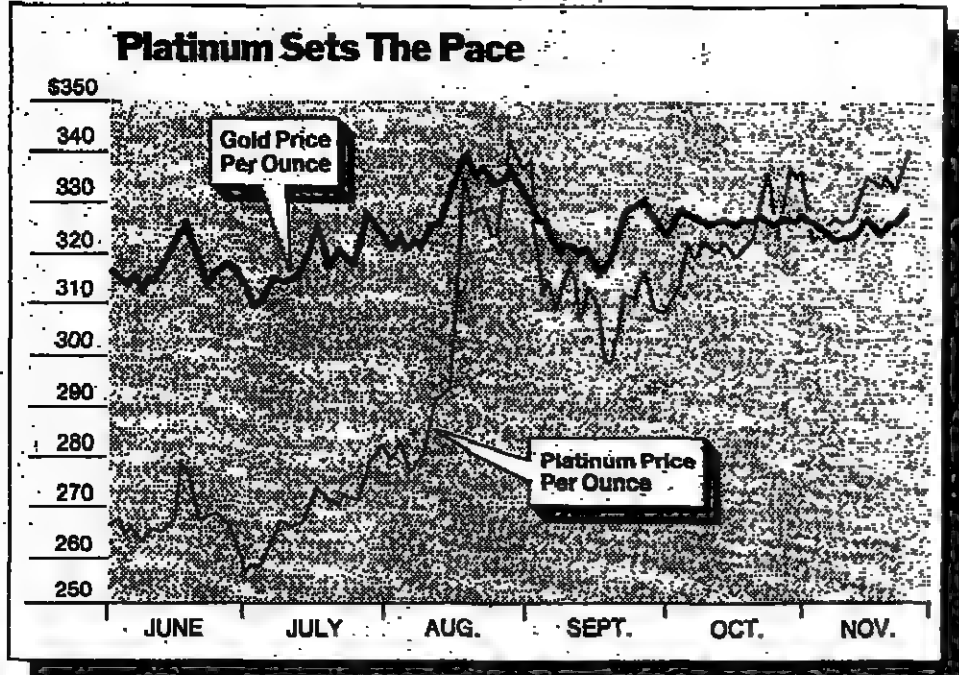
The reason is that inflation continues to be negligible, enhancing the relative attractiveness of financial instruments. In the United States, the rise in the consumer price index slowed to a 2.3-percent annual rate in the third quarter from 3.3 percent in the previous quarter. On a global basis, inflation rates are expected to decrease toward the end of next year.

Organization for Economic Cooperation and Development projects that inflation will duplicate 1985 annual rate of 4.75 percent for the first half of 1986 and dip to 4.5 percent during the second half.

If you don't think inflation's going to be booming ahead, you're not going to get a booming rally," acknowledged Fred Bogart, chief precious metals analyst for Republic National Bank in New York. In view, only a return to the double-digit inflation of the late 1970s and 1980 would spark a rush to gold assets.

There is still hope, however. Technical analysts John Murphy of the Commodity Research Bureau, argue that the five-year bear market has given to a sustained "basing," or sideways pattern, set by the narrow trading ranges for gold and silver this year. Indeed, analysts note that gold has found support above \$300 from central banks, who have not buyers in 1983 for the first time in two years. The implication of that pattern could be a pronounced upward movement within the next six months.

Platinum is going to lead precious metals," said James Kneafsey, president of Cambridge Commodities Corp., a research firm in Cambridge,



Massachusetts. He said that the metal could move up gradually to \$380 to \$390 an ounce over the next few months.

The key difference between platinum and the other precious metals is that platinum is more price sensitive to certain geopolitical factors than gold and silver. South Africa, a country of increasing political turmoil, controls 75 percent of the world's platinum supplies. The Soviet Union is the other major producer.

"There's much less above-ground stock in platinum, which means that platinum is much more vulnerable to a cessation of supply from South Africa," said Alan Davidson, a precious metals analyst with Shearson Lehman Bros. in London.

At the same time, industrial demand is strong. Platinum is an integral component in catalytic converters for automobiles. Worldwide demand is expected to jump 19 percent within six years if the European Community mandates converters on European cars and trucks.

Not surprisingly, many investors think the metal's volatility can trigger a bullish response from gold and silver. Only a few months ago, platinum was trading at a \$60 discount to gold. Since then, prices have shot up 75 percent and the metal has been trading at a \$25 premium.

"People suspect that when platinum is trading at a premium to gold, you're going to have a gold rally," said George Anagnos, market analyst for the New York Commodities Exchange. Because platinum rises faster than gold during rallies, he explains, the platinum premium can be used as a measure of market trends.

Historically, there is some truth to this. In 1980, when precious metals topped out at the height of inflation, an ounce of platinum was \$1,189.50 — more than a \$300 premium to gold's record price of \$875. Silver, the so-called "weak sister" of precious metals, had a high of \$50.35 the same year.

If gold is going to rise, it will need platinum's lead. True to form, gold has risen inversely to the dollar,

from a bottom of \$281 in February to \$340 on the threat of a miner's strike in South Africa last August. Since then, the price has settled to its current range of \$320 to \$330.

Technical analysts now are using that \$340 high as a resistance barrier that gold must break through if there is to be any kind of sustained rally. But gold has found stiff resistance at even \$330 an ounce, and few analysts predict a short-term breakout.

"I'm inclined to think your chances are no better than 60-40" that gold will go to \$340, said David Linnehan, senior metals analyst with Merrill Lynch Futures Inc. in New York. He has been advising clients to buy "cautiously."

One factor that could change that near-term situation is the tin crisis affecting the London Metals

Striking

One of the popular coins among silver investors is the Libertad, a one ounce coin minted by the Banco de Mexico. Over 2 million have been minted in 1985. The coin sells for about \$1.50 over the daily spot price of silver.



Exchange. If tin prices go crashing, says Bette Raptopoulos, senior metals analyst at Prudential-Bache Securities, that might spark a flight to the "safe haven" gold provides and a 10-percent price improvement.

Another is the long-term bullish technical sentiment. Mr. Murphy thinks that a five-year decline in commodities prices is over, reflected by the basing or sideways trend in precious metals and commodities prices overall.

"If the bullish scenario works out, then I would look at gold moving to \$400" sometime in 1986 but not within the next two or three months, he said. "I think the people who are bearish on gold are not looking at the broader picture."

If gold has lost its glitter, then silver has acquired a tarnished reputation. The one bright day in silver trading occurred in early October, after a report said that the Hunt family had sold 90 percent of its 59-million-ounce hoard. Prices jumped 33 cents to \$6.50 but then quickly fell back again to their current \$6.15-to-\$6.30 range.

MANY analysts thought that the Hunt family sale would remove an important psychological barrier. There was fear the financially troubled family might suddenly flood the market with one big sale, causing prices to tumble even lower. Although the family secretly liquidated its stocks over a matter of months, the same analysts now say that the Hunt silver has merely added to an overall market surplus. That, combined with weak industrial demand, has created short-term resistance at \$6.40 to \$6.50 an ounce.

"To relieve the downside pressure requires a weekly closing of \$6.45," said Martin Armstrong, chairman of Princeton Economic Consultants, adding that such a move is not immediately likely.

The good news, however, is that silver prices have found long-term support at \$6. "I wouldn't rule out the possibility of near-term weakness," warned Bernard Saville, a senior precious metals analyst with Paine Webber in New York, but "I think around \$6, silver's cheap and won't fall that much lower."

There is a similar consensus for palladium. A member of the platinum group, palladium has recently found a niche from \$95 to \$100 an ounce, a little above the 1985 low of \$91.40 in March. Analysts say that short-term stability could lead to an upward trend over the long term. But the metal's price is likely to remain uncertain over the next six months.

The main reason is weak industrial demand. Like platinum and gold, palladium is used in electronics as connectors and contacts in computers. But the weakness in the computer and electronics industry has led to a corresponding decline in palladium demand, according to Mr. Linnehan at Merrill Lynch. He expects palladium prices to fluctuate from \$92 to \$110 over the short term.

Adding to the uncertainty is the Soviet Union's response to a price upswing. The Soviet Union is the world's biggest palladium producer and in the past has sold huge amounts on the world market when prices were attractive.

Still, Mr. Linnehan and other analysts say the longer term prospects are strong. Palladium also is used in catalytic converters, though to a lesser extent than platinum. If the EC chooses converters for automobile emissions controls, prices could grow at a double-digit rate, analysts say.

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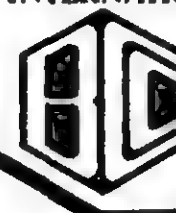
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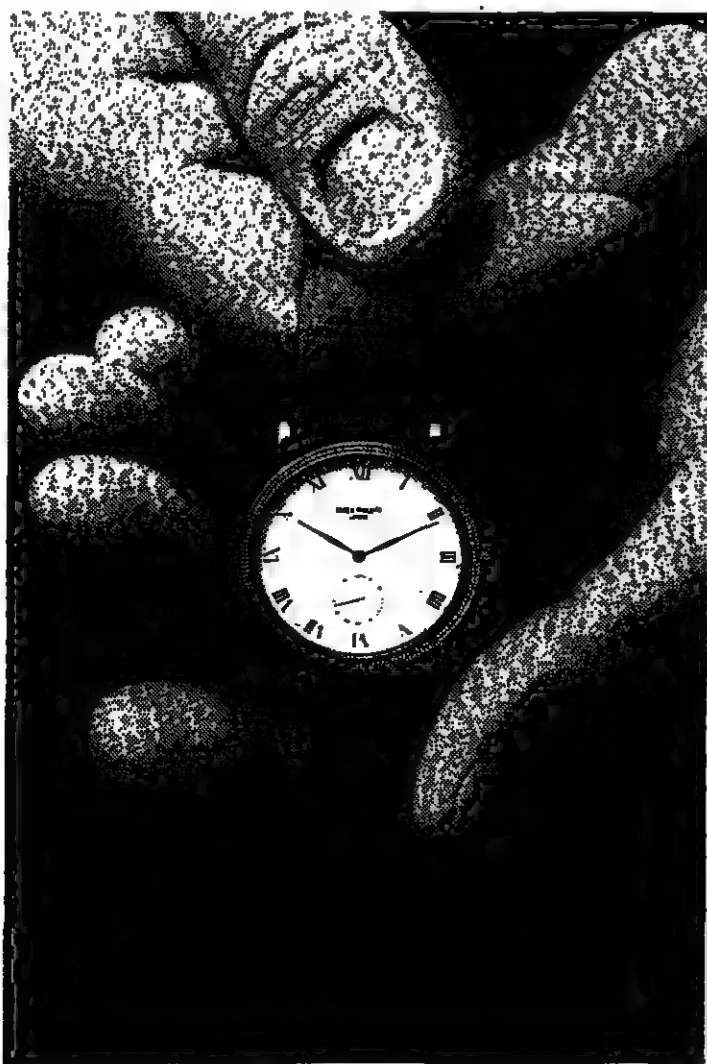
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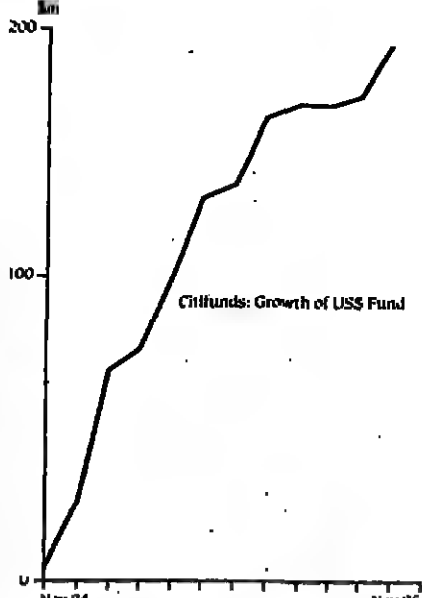
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PROFILE

Harry Schultz: Still Unafraid to Go Out on a Limb

By Edward Rohrbach

IT'S NOT Harry Schultz's fault that so many people want to be rich. Or maybe, in the case of most of his faithful readers around the globe, just want to hang on to what they have.

His "International Harry Schultz Letter," written here in his office overlooking the casino and Mediterranean, commands a readership of nearly 10,000, making it one of the highest-circulation investment advisory letters of the hundreds that exist. At \$250 per annual subscription, or \$2,000 for a lifetime subscription, it is also one of the most expensive.

For personal financial consultations, he unflinchingly charges \$2,000 an hour, which the Guinness Book of World Records says makes him the "world's highest-paid financial consultant."

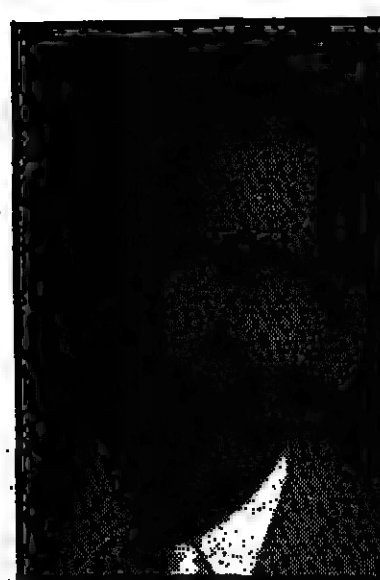
Mr. Schultz, who pioneered investment seminars almost 20 years ago, also "probably is the most popular speaker on the circuit today," according to Charles Githler, president of Investment Seminars Inc., which organizes about 10 big international events a year.

"Harry's always so outspoken, so specific," Mr. Githler added. "He doesn't mind going out on a limb—I suspect he enjoys going out on a limb."

Mr. Schultz, a Milwaukee-born expatriate who travels the world, likes to tell his audience: "I'm never wrong...for more than 24 hours."

As he explains with a characteristic impish grin: "I've been off on a lot of things, but I don't sit on a prediction that turns out wrong. You can't fight the market trend. That's what separates the winners from the losers."

He is a strong advocate of hedging positions and other defensive tactics to cut losses, such as setting a price below cost at which he will automatically bail out of a



Harry Schultz

stock or a commodity. His popular refrain is "don't fly in the marketplace without a parachute."

"Trading is for widows and orphans, while long-term investing is for Las Vegas gamblers," he asserts. His point is that often self-styled conservative investors will watch something they have bought go down 10 percent, then another 10 percent, and when it drops 40 percent say, "Now it's too low to sell."

He goes so far as to maintain that picking wrong stocks can be overcome if an investor's tactics are good.

His best call came in the summer of 1984 when he predicted that interest rates had topped out in the face of the consensus view that "crowding out" by U.S. government borrowing would drive them much higher. He strongly recommended buying bonds and Treasury bond futures. And, in fact, interest rates on long-term

bonds have dropped about 3 percentage points since then.

So sure was he of another imminent opportunity last May that he told his large audience at a seminar in Lausanne to leave immediately — "Don't even wait for the next speaker" — and buy Treasury bond futures. They shot up 2 points over the next week, affording investors an 80-percent profit per \$2,500-margin contract.

Charts, which plot past price movements, are what guide Mr. Schultz in his investment decisions.

"Charts scream at you whether to buy or sell," he said. "There are several hundred thousand people drawing charts in the world, but only a few are Renoirs."

He maintains that the majority of chartists paint themselves into a corner by "letting a prejudice influence them. You need a blank mind to do a chart."

In his most recent newsletter, just published, he applies another favorite investment tool, the "law of contrary opinion." Mr. Schultz notes a new poll in U.S. News & World Report in which 86 percent of 49 top American economists surveyed predict that interest rates will either go up or stay unchanged in 1986.

"Obviously, these economists don't believe in or can't read charts," he writes. "This same group has been wrong over the last 16 months."

Mr. Schultz, who said his personal commodity account this year is up 81 percent, claims millionaire status dating back 15 years, which is not disputed by several others in investment advisory business who have known him over the years.

But one of them said: "He's a secretive little guy, tight with money."

Soft-spoken and physically slight, Mr. Schultz notes that "I like to keep a barrier between myself and the public." He is a devotee of astrology, numerology, graphology, physiognomy, or face reading, and takes all four into account in hiring staff and making friends.

James Blanchard, who ran an investment seminar last month in New Orleans that Mr. Schultz addressed by telephone, calls him "a real investment genius," while also allowing that "he's eccentric, but with flair."

Mr. Schultz traces his success in investing to "always questioning the system, even as a boy growing up in California, plus the experience of serving as a sergeant with the U.S. Army Air Corps in Shanghai at the end of World War II. "There was an explosion of capitalism in China then," he said, "and the year I was there I got a lifetime's worth of education investing in silk stocks, gold bars and Chinese currency."

BUT "freedom" is the central theme of his feisty 12-page letter, now in its 22d year of publication and written in an aphoristic, breezy style to pack in more of his views: "Can you imagine all the trees cut down because people don't just use the ampersand," he lamented.

Freedom from the "welfare state" and government interference generally are what he focuses on. Most of the letters he receives from readers, in fact, do not have to do with investments, he said, but the topic of individual freedom.

Replying to his call last month in the newsletter to "Fight Organized Crime—Abolish the IRS," a woman reader wrote him that it should be emblazoned on bumper stickers.

Despite his sharp pen, Mr. Schultz, in the words of a fellow traveler on the investment seminar circuit, is a "teddy bear." He recounted an episode about 10 years ago in Vancouver when Mr. Schultz pulled up his car after having driven across Canada from another seminar in Toronto. Spotted between the seats was a pistol, but on examination it proved to be a starter's gun, loaded with blanks.

FUNDS

The Stormy Return of the Fund of Funds

By Colin Chapman

WHEN the British brokerage Grieverson Grant went to the Department of Trade and Industry earlier this year with a proposal for a fund that would invest only in other funds, few observers expected it to get more than a courteous rejection.

Over the years, dozens of other applicants had tried and failed to win British approval for various

types of "funds of funds." A few gave up and organized their funds offshore. Official reluctance was traced to the memory of the collapse in 1970 of Bernard Cornfield's Investors Overseas Services, which had employed the "fund-of-funds" approach. Considering the cloud of disrepute that still hangs over the concept, the British investment community was jolted by the department's approval of Grieverson's application to set up a "fund of funds" called the Barrington Planned Investment Fund.

Both the timing and the rules established for "funds of funds" have come under heavy criticism from other financial service institutions, particularly some of Grieverson's competitors. Michael Hughes, a partner at brokers De Zeeuw & Beyer, said the decision "shows every sign of being ill-thought out and is a curious move by the DTI at a time when conflict-of-interest issues are under major discussion and a bill is imminent on City regulation."

Under the new rules, an approved "fund of funds" is restricted to the managing company's own unit trusts, the British equivalent

of mutual funds. This is in contrast with the rules that govern similar types of funds in the United States, where they are required to invest only in funds other than those run by the managing group. The British-approved "fund of funds" must be in a group that holds at least four trusts, and not more than 50 percent can be invested in any one.

The fund may make an initial charge on an investment, but cannot charge investors with front-end fees when buying units from a subsidiary fund. It may, in the manner of discretionary portfolio services, charge annual management fees on both the "master" fund and the subsidiary funds.

"Frankly, it is not a very good product," said Dick East, director of GT Management of London. "It is all right for people with large sales forces to feed, but we see them as a clumsy way of investing. People would be much better off in an international unit trust which does much the same thing, only more cheaply and effectively."

The originators of the new breed of funds argue that they are aimed at investors who are looking

for safe place to put their savings and who may not have the resources to build up a diversified portfolio of unit trust shares.

"An increasing number of people are looking for something that is steady if unspectacular and is not going to risk losing them a great deal of money," said Peter Saunders of Grieverson. He notes that developments such as the privatization of British Telecom and new profit-sharing schemes have increased the number of people with "spare capital and savings."

Indeed, the "funds of funds" are being seen by some investment professionals as a marketing strategy designed to give the insurance industry a new product to sell and to help them compete for savings with building societies, Britain's home loan banks. Life insurance policies that are linked with unit trust purchase plans have long been a mainstay of the British savings scene.

Mr. Saunders acknowledges that Grieverson Grant hopes the Barrington Planned Investment Fund will lure some money away from savings kept in building society accounts. Even a modest penetration of that market could add

up quickly. The total amount of money invested in all unit trusts is put at £18 billion (\$26 million). The largest building society, Halifax, alone holds £20 billion of savings.

"Okay, it is a marketing ploy," said Mr. Saunders. "But the fact is that it is really an extension of our portfolio management services, where we suggest that £10,000 is the minimum investment. Under our savings plan you can get essentially the same advice for an investment as little as £20 a month."

He said investor response to the Barrington fund has been "quite pleasing."

The most closely watched issue will likely be the potential for conflict of interest. The manager of a "fund of funds" who wants to shift assets among the subsidiary funds may come under a lot of pressures from his colleagues who manage the funds that would lose assets.

Says Mr. East of GT Management: "If the U.S. market cranks and you go to your American fund manager, and look him in the eye and say you are going to sell £10 million of units, he will say, 'No you are not.'"

STRATEGY

The Perils Of Buying 'Bargains'

IN SEASONS past, Christmas shopping for stocks has meant bargain-hunting. Poorly performing stocks have slipped as much as 10 percent during December, when investors engaged in "tax selling," reaping losses to apply against their taxes. But because a bull cycle is ending, attractive bargains are sparse this season. "It's a quality-dominated market," said John Connolly, investment strategist at Dean Witter. "Anything that has been pushed low must have some wart on it somewhere."

Edward Kerschmer, a strategist with Paine Webber, agrees. He says that his firm has not developed "a tax-loss strategy" this year because tax selling is at a minimum. "The market is driven primarily by institutional investors, such as pension fund managers, who have no need for losses," he said.

Still, stalwart bargain hunters are not allowing such bullish sentiment to spoil their yuletide tradition. They are focusing their search on energy, oil-service, natural gas pipeline, small technology, hospital management, metal, and steel company stocks. These cyclical sectors have been the hardest hit, said Newton Zinder, senior vice president of E.F. Hutton. Some are at their lowest levels since the start of the year.

Even though the market recently has shown signs of shifting emphasis from the better-performing financial stocks to weaker cyclical shares, it is no guarantee that these stocks are building for a rally next year, said Frank Korth, vice president of research at Shearson Lehman Bros. But for investors willing to take a chance on a strong economic rebound should consider Kaiser Aluminum, Rohm & Haas, and Chemed, according to Mr. Korth. He also recommends aggressive secondary stocks, such as California Microwave.

Leslie Whitaker

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Market Scoreboard

Stocks on the New York, London and Tokyo exchanges that showed the largest percentage gains and losses in November.

GAINERS

Percent Gain

Price Nov. 29

New York Stock Exchange:

Compiled by Media General Financial Services. Prices in dollars

Bally's Park Place	42	13.88
Applied Data	41	31.75
Gap Inc.	40	58.38
Webcor Stores	40	13.25
Vernaco	36	83.25
Pennzoil	33	62.75
Rollins Envir.	33	16.13
Campbell Soup	32	54.13
General Developm't	31	13.25
Western Union	29	14.25

American Stock Exchange:

Key Pharmaceuticals	54	11.00
Canandaigua Wine	54	54.00
Ultimate Corp.	54	19.83
Turner Broadcasting	47	17.25
Washington Homes	42	11.00

Over the Counter:

Alfin Fragrances	120	38.50
Sci-Med Life Systems	73	19.50
BGS Systems	72	13.75
Immunex	69	10.13
Ashton-Tate	64	17.88

London Stock Exchange:

Compiled by Capital International. Prices in pence

United Biscuits	38	278
British Home Stores	36	432
Courtauld	25	194
Pearson	25	418
Standard Telephone	24	94
Associated Dairies	20	156
Racal Electronics	19	150
Cadbury Schweppes	18	172
Babcock Int'l	18	187
BSR Int'l	17	68

Tokyo Stock Exchange:

Compiled by Capital International. Prices in yen

Oni Electric	31	722
Sanrio	25	4,050
Citizen Watch	23	505
Gakken	20	1,590
Yamato Transport	19	992
Seiyu	17	865
Takashimaya	16	555
Dei Nippon Printing	15	1,290
Nichinichi	14	977
Hoya	14	283

LOSERS

Percent Loss

Price Nov. 29

American Hotels	36	10.38
M/A-Com	29	13.00
Southwest Forests	22	10.63
Mattel Inc.	21	11.75
Tetisco	17	32.50
Tidewater	17	12.50
Rorer Group	17	15.00
Allegheny Int'l	16	21.63
Revere Copper	15	12.13
Fairchild Inds.	14	10.25

ETZ Lavud	63	11.00
Penn Engineering	35	23.00
Western Health	32	11.88
Sandgate	15	25.50
Pitt-Des Moines	14	13.75

Technical Equities	18	14.00
Golden Enterprises	16	12.75
Mechtron Int'l	16	15.88
Chicago Pacific	14	24.25
Wm. Wright Co.	14	11.25

Tricentrol	20	145
Amersham Int'l	12	291
George Wimpey	9	126
Lasmo	8	228
European Ferries	3	145
Great Portland	7	162
Inchcape U.K.	7	313
Harrisons, Crosfield	6	351
Stock Conversion	6	530
Hepworth Ceramic	6	156

Mochida Pharm.	21	7,560
Mitsubishi Petro.	14	375
Kawasaki Heavy	9	173
Maeda Construction	13	762
Mitsubishi Heavy	12	363
Kureha Chemical	12	801
Nippon Hodo	12	1,360
Marubeni	11	310
Nippon Express	11	563
Ind. Bank of Japan	10	1,030

*Provided by Credit Suisse First Boston Securities, London. Tel.: 01-623-1277.
Prices may vary according to market conditions and other factors.*

Prices may vary according to market conditions and other factors.

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OTC consolidated trading for week ended Friday.

OTC consolidated trading for week ended Friday.

[illegible]

Reaching More
Than a Third of a
Million Readers
in 164 Countries
Around the World.
Herald Tribune

[illegible]

OTC Consolidated trading for week ended Friday.

[illegible]

¹ Figures as of close of trading Friday.

[illegible]

Figures as of close of trading Friday

[illegible]

KEEP THE TORCH LIT
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SELECTED HSA/OTC PREPARATIONS

	BID	ASK
Apollo Comp.	14%	14½
Mr Gasket	9%	9½
Bitter Corp.	5	5½
Modulaire	10%	11
Rodime	10%	11

 WITH COMPLIMENTS OF
CONTINENTAL AMERICAN

OTC Consolidated trading for week ended Friday.

Sales in	100s	High	Low	Close	Net Chg
8557	3	7 1/4	2 1/4	—	
175	7	5 1/2	4 1/4	—	

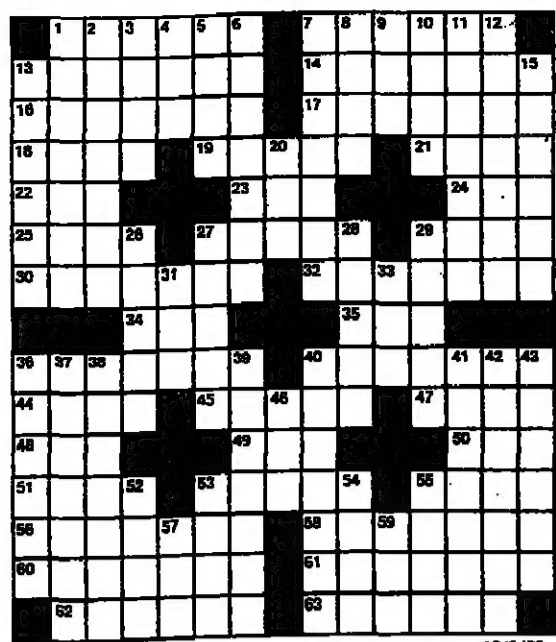
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ACROSS

1 Blossom
7 Fertile region
13 Raise
14 Recipient of title to property
16 Improperly failed to follow suit
17 Makes ready to publish
18 German possessive
19 Aquatic mammals
21 Putrifies
22 Arctic sight
23 Greek letter
24 Fish eggs
25 Hawaiian goose
27 Prayer endings
28 State
30 Nitty-gritty
32 Property holdings
33 French linen fabric
34 Discomsolate
35 Rim of a vessel
36 Supposed
40 Undeveloped
44 Fencing sword
45 Old World fish

DOWN

1 Defrauds
2 Indulgent
3 Kilm
4 Humorous person
5 French summers
6 Converts into cash
7 Symbol of victory
8 Fermented drinks
9 Tree (of)
10 Precious

ACROSS

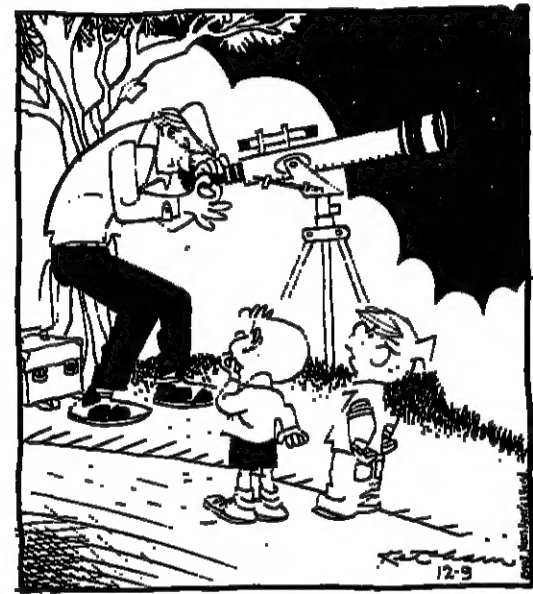
47 Action to mislead
48 Emulate Willie Sutton
49 Fountain drink
50 Strawberry, e.g.
51 Short news-paper piece
52 Place for a trellis
53 Talented
54 Hair shirts
55 Border city in Asia
56 Buttercup's relative
57 Hillary's conquest
58 Diving birds
59 Prevents

DOWN

12 Weights less adjustments
13 Prized weasel
15 Member of a Jewish sect
26 Consumed
28 Stand for Wyeth
29 Drawing room
29 Kind of tiger
31 Playground game
33 Prefix with lead or read
36 Home of a certain lily
37 Crime during a blackout
38 One who defames
39 Attests
40 Matured
41 Clumsy one
42 No good at all
43 State
44 Squabble
52 Form of Greek drama
53 Nota
54 Wander at random
55 River in Switzerland
57 Corn on the cob
59 Achieve

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DENNIS THE MENACE



"HE MUST BE ONE OF THOSE METEOR READERS."

JUMBLE

Unscramble these four jumbles, and solve to each square, to form four ordinary words.

TRUIF

DALLE

CADAPE

JERPUM

Now arrange the circled letters to form the answer to the cartoon.

Answer: IN A

Jumbles: AFTER IMPER MUFFIN TWINE

Friday's Answer: What a blizzard must do to daily life—WINTER-UP IT

WEATHER

EUROPE	HIGH	LOW	ASIA	HIGH	LOW
Algeria	17	63	Beijing	22	63
Amsterdam	16	64	Bombay	22	63
Antwerp	16	64	Hong Kong	22	63
Berlin	16	64	Kobe	22	63
Birmingham	16	64	Manila	22	63
Bombay	16	64	New Delhi	22	63
Boston	16	64	Singapore	22	63
Buenos Aires	16	64	Taipei	22	63
Calcutta	16	64	Tokyo	22	63
Cardiff	16	64			
Chennai	16	64			
Copenhagen	16	64			
Dallas	16	64			
Dublin	16	64			
Edinburgh	16	64			
Geneva	16	64			
Helsinki	16	64			
Hong Kong	16	64			
Los Angeles	16	64			
London	16	64			
Madrid	16	64			
Moscow	16	64			
Munich	16	64			
New York	16	64			
Osaka	16	64			
Paris	16	64			
Prague	16	64			
Rangoon	16	64			
Rio de Janeiro	16	64			
Rome	16	64			
Sao Paulo	16	64			
Seoul	16	64			
Shanghai	16	64			
Shenzhen	16	64			
Singapore	16	64			
Sydney	16	64			
Taipei	16	64			
Tokyo	16	64			
Winnipeg	16	64			
Zurich	16	64			

MONDAY'S FORECAST: CHAMPEL: Smith, FRANKFURT: Cloudy, Temp. 11-15 (30-59). LONDON: Cloudy, Temp. 11-15 (30-59). MADRID: Cloudy, Temp. 11-15 (30-59). NEW YORK: Partly cloudy, Temp. 11-15 (30-59). PARIS: Cloudy, Temp. 11-15 (30-59). ROME: Cloudy, Temp. 11-15 (30-59). SINGAPORE: Thunderstorm, Temp. 25-30 (77-86). SYDNEY: Partly cloudy, Temp. 11-15 (30-59). TOKYO: Partly cloudy, Temp. 11-15 (30-59).

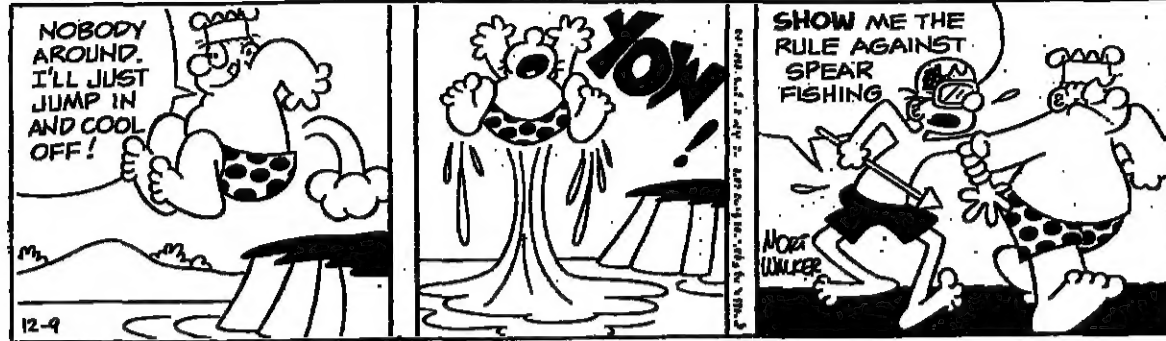
PEANUTS



BLONDIE



BEETLE BAILEY



ANDY CAPP



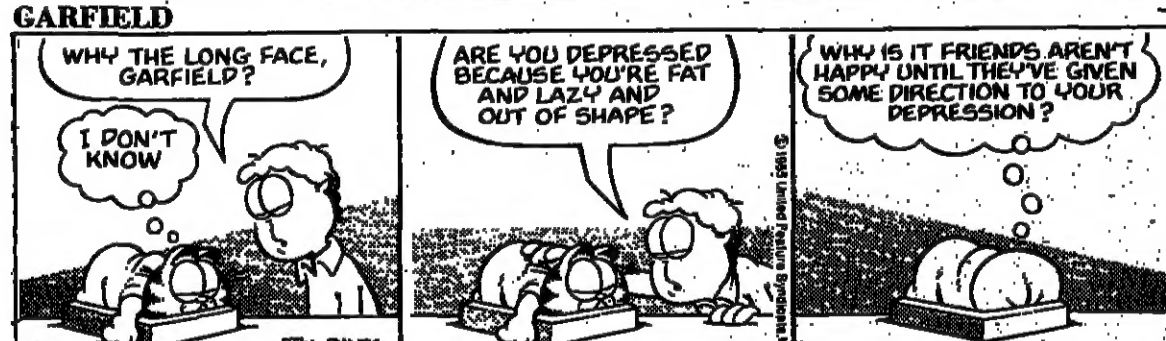
WIZARD of ID



REX MORGAN



GARFIELD



SPORTS BRIEFS

U.S. Swimmer Sets 50-Meter World Record

AUSTIN (AP) — UCLA's Tom Jager set a world record in the 50-meter freestyle on Friday, the first day of the U.S. Open international swimming meet. Jager learned earlier in the day that FINA, swimming's international governing body, had voted recently to recognize the 50-meter freestyle as an international event, thus elevating the fastest time from a world best to a world record. "I was pretty fired up," said Jager, whose time of 22.40 was 12 seconds faster than the world best set by Switzerland's Dano Hall earlier this year. "A world record is really something to be proud of, and that gave me an incentive that last 25 meters."

South Korean Wins Junior Flyweight Title

TEAGU, South Korea (AP) — Yu Myung Woo of South Korea won the World Boxing Association junior flyweight title Sunday by defeating the champion, American Joey Olivo, on a split decision. Judges Samuel Conte of Puerto Rico and Carlos Berrocal of Panama scored the 15-round fight 146-141 and 148-142 in Yu's favor. Judge Jesus Celis of Venezuela had Olivo ahead, 145-143. Although there were no knockdowns, Yu's aggressiveness paid off in the 11th round when a straight left and a right hook to the jaw made Olivo back up. The champion, his legs wobbling, survived only by clinging to the challenger.

Kiehl, Steiner, Mair Win Cup Ski Races

SESTRIERE, Italy (AP) — West German Marina Kiehl and Michaela Gerg finished 1-2 in the giant slalom Saturday that opened the women's World Cup skiing season and Roswitha Steiner of Austria edged Erika Hess and Brigitte Oertli of Switzerland to win Sunday's slalom. In Val d'Isere, France, on Saturday Italian Michael Mair won his first cup downhill with a two-heat clocking of 2 minutes and 1.32 seconds down the 3,296-meter (10,820-foot) course. Mair was 34 seconds ahead of overall cup champion Marc Girardelli of Luxembourg, who achieved the best downhill finish of his career. Kiehl negotiated the Kandahar-Banchetta track, which dropped 475 meters, in 1:28.44; Gerg was timed in 1:28.66. In Sunday's race, each of whose runs were flagged with 54 gates, both Oertli and the former world slalom champion Hess were 30 seconds behind Steiner's 1:30.02 aggregate.

Langer Takes South African Golf Tourney

SUN CITY, South Africa (AP) — Bernhard Langer of West Germany shot a one-under-par 71 on Sunday to win the Sun City Million Dollar Golf Challenge, beating Larry Wadkins of the United States by two strokes. Langer carded 278 for the 72-hole tournament. Wadkins, closing with a 73, was at 280 while Mark O'Meara of the United States finished third at 69—281. On Saturday, both Langer and Wadkins shot 68s to share the lead after Lee Trevino of the United States, the overnight leader, fell two strokes back with a 71.

Quotable

© Cincinnati Bengals quarterback Boomer Eason, on Sunday's game against Dallas: "The first thing that comes to my mind about the Cowboys is their cheerleaders." (LAT)

BOOKS

THE VISITORS

By Ronald Blythe. 239 pages. \$16.95. Helen and Kurt Wolff/Harcourt Brace Jovanovich, 1250 Sixth Avenue, San Diego, Calif. 92101. Reviewed by Michiko Kakutani

IN "Akenfield," his superb oral history of a Suffolk village, the British writer Ronald Blythe drew a minutely detailed portrait of life in the English countryside. By interviewing members of the community from all classes and professions — from an illiterate hermit to the blacksmith to the local justice of the peace — and allowing them to deliver monologues to the reader, Blythe stripped away nostalgic fantasies of a pastoral Eden and replaced them with an unsentimental picture of the repressive, fatalistic — and often stultifyingly provincial — way of life that still exists not very many miles from London.

In "The Visitors," a collection of short stories belonging to the author points out, "mainly to the first years of my writing life," Blythe takes on, in fictional terms, much the same territory he covered as a journalist in "Akenfield." The setting, for the most part, is the rural England of his childhood — "on the face of it," as he wrote in the earlier book, "the kind of place in which an Englishman has always felt it his right and duty to live," "the real country, untouched and genuine." And the dominant emotions, again, are a sense of suffocation, of lost innocence, and of time past intruding ineluctably upon time present. It is a peculiarly hermetic place, this world portrayed by Blythe, full of the sort of social backbiting that obtains among people of all classes in an isolated community — whether they like to hold smugly aloof in their parlors, slipping tea off a service from the Omega workshop, or pass the time sitting about a grubby kitchen, listening to the rats scuffling in the garbage outside. An aging spinster finally gets married, and the other women castigate her for that she can't even cook a turnip mash; a would-be poet moves into the neighborhood, only to be immediately pegged as a phony D. H. Lawrence. Even the sort of banal that a loved one receives is carefully noted by the neighbors.

If gossip is a primary activity in Blythe's fictional world, it is partly because anything so

threatening as an actual emotional exchange is regarded as something to be avoided at all costs. Much is made of illicit sexual encounters, and the loss of innocence such encounters entail. And when the characters are not busy keeping secrets from one another, they are dissembling in more subtle ways. Often they feel nothing but a deadening sense of duty toward the people they should be closest to, and so end up seeking some sort of release or passing connection with a stranger, encountered half by chance.

An itinerant Jehovah's Witness, a handsome young man strolling in the park, a group of soldiers temporarily billeted near town, a new artist in need of patronage — these strangers all provide the frustrated women in Blythe's stories with intimations of passion, or at least serve to remind them that more exists beyond the confines of their attenuated lives.

Indeed, many of the characters in these stories are, as the title of the volume suggests, visitors — travelers who have happened by, exiles returning at last to their homes, or simply outsiders, who, thanks to looks, class, circumstance or imagination, feel themselves not to belong. Just how they adapt to — or willfully flout — the local conventions of ten becomes the focus of the story.

Marian, the distracted widow in "Bride Michael," has spent the years since her husband's death camped out on "a sense of the temporary to keep her sane," all the time knowing that she is not really wanted there, that her life has been put indefinitely on hold. The narrator of "At Swan Gates," who has grown up in India, living nervously with his father and his father's mistress, finally returns to the English town where he was born, in hopes of discovering the story behind his mother's death and coming to terms with his family past. Uncle Jake, one of the central characters in several of these stories, suffers from "a private nature which is continually to private things" — while he turned naturally to his nephew about the importance of learning, he conceals his love of poetry from his bluff soldier mates. Although Blythe displays his usual eye for detail and a great tolerance for his characters' foibles, these tales suffer from an air of contrivance that is absent from his nonfiction. With the notable exception of a fable about a dragon and a lady that is funny in a children's book sort of way, most of his stories are old-fashioned exercises in realism that too often pivot upon overly ironic situations or feature characters whose hypocrisy is suddenly revealed.

In addition, the reader becomes irritated with Blythe's penchant for explaining all the dramatic ideas or emotions, he tends to tell the reader exactly what to think. "Lorna lost faith in Saul," he writes in "The Church Mouse," "the delicious aura of his magnetism popped suddenly and irretrievably like a bubble." And in "Bride Michael," "a sudden craving for the room itself filled him, the God centre with its misted ochre distemper, stack-chairs and its mystery. He began to long for it as an exile longs for the commonplaces of his own country." In the end, such cluttered prose, coupled with a deadening sameness of tone, makes for little besides boredom and fatigue.

Michiko Kakutani is on the staff of The New York Times.

BRIDGE

By Alan Truscott

ON the diagrammed deal, North and South bid to six spades. The opening two-club bid was precision. It showed 11 to 15 points, with at least five clubs and usually more. North's first response of two diamonds was a relay, asking for more information, and his second-round jump to four diamonds was an asking bid. South's response showed to the ace and king, by agreement, and North plunged into six spades. This was not a good contract, but South capitalized on a favorable lie of the cards. He planned to draw three rounds of trumps and lead the heart nine, hoping that West would duck, holding the ace. But when the ace and king of trumps brought a heart discard, the heart king was cashed, permitting a diamond discard, and the eight of clubs was played. West had to follow with the seven, and South thankfully led the last trump from dummy and claimed his slam.

Instead of trying to avoid the loss of a heart trick, he had to try to make one. He entered his hand with another trump lead, led the heart nine, and guessed right by playing the jack from dummy. East won and returned a diamond.

South won and led the club queen for a finesse. When this won and the nine fell from East, South began to feel hopeful. He continued with the jack, and West covered the king. When he won with the ace and saw the ten appear, South was a happy man. The heart king was cashed, permitting a diamond discard, and the eight of clubs was played. West had to follow with the seven, and South thankfully led the last trump from dummy and claimed his slam.

Curry Knocks Out McCrory in 2d for Title

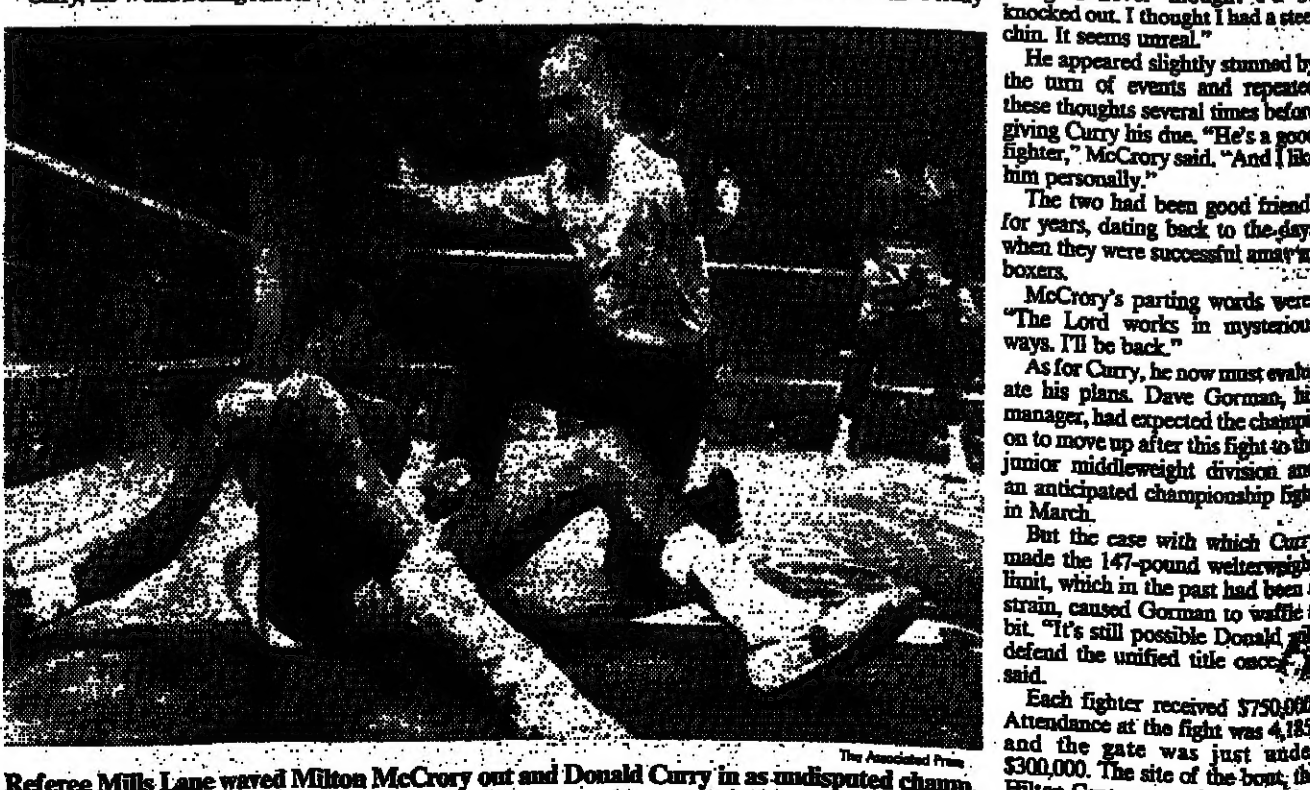
By Phil Berger

NEW YORK TIMES SERVICE LAS VEGAS — Donald Curry, who has sought to be counted among the elite of boxing, took a giant step toward that objective Friday night when he scored a stunning knockout over Milton McCrory at 1:53 of the second round, and became undisputed world welterweight champion. Introduced as "The Lone Star Cobra," Curry, of Fort Worth, Texas, made good on the name. He struck early and with the kind of power that quickly put a confused look on the face of McCrory, who came into the ring as the World Boxing Council middleweight champion.

Curry, the World Boxing Association champion, threw a left hook to the head late in the first round that sent McCrory reeling back against the ropes and then into Curry's corner. Curry wasted no time in finishing McCrory. 23. He hit him with a picture-perfect right-hand lead that sent McCrory sprawling onto his back, and Lane counted him out. "He was poking the jab out there," Curry said afterward, "and I saw that I could step inside it. I thought Milton was a lot faster."

"He wasn't as strong as I thought he was. And once I realized that, I started moving in. After he went down the first time, I knew the fight was over."

Curry's 24-0 record now includes 19 knockouts. But until Friday night, that unblemished record was not enough to establish Curry's credentials as a boxing superstar, one capable of earning purses as fat as the ones Marvin Hagler can command. Curry, 23, a native of California, had a record of 14 wins and 10 losses, and a reputation for being a "punching bag" for his trainer, who had given him a reputation for being a "punching bag" for his trainer.



Referee Mills Lane waved Milton McCrory out and Donald Curry in as undisputed champ.

SPORTS

Navratilova Beats Evert for Title; Edberg, Wilander in Final

Compiled by Our Staff From Dispatches
MELBOURNE — Martina Navratilova continued her domination of longtime rival Chris Evert today with a 6-2, 4-6, 6-2 victory that gave her a third

AUSTRALIAN OPEN

Women's singles title in the Australian Open tennis championships. "I wanted her and I got what I wanted," Navratilova said after the hour, 44-minute match before a crowd of 9,000. "This win was very satisfying. It gets tougher mentally in and out of year."

Her \$100,000 first prize and a \$50,000 bonus from the tournament pool, added to her previous 1985 winnings of \$766,474, made her the first player in tennis history to win \$1 million in one year.

The Czech-born left-hander, 29, won the Australian championship in 1981 and 1983; she also has Wimbledon, two French Open and two U.S. Open titles.

Evert, 30, from Ft. Lauderdale, Fla., was also bidding for her Australian title. Instead, Navratilova beat her for the 35th time, the second first played in Akron, Ohio, in 1973.

"In the first set she upset my rhythm and we were both nervous, but she handled the pressure much better than I did," said Evert, who was so beaten by Navratilova at Wimbledon this year.

"It was frustrating. I have been losing the ball really well all week, and I think I can find it in me to go

for another year," although "it will be tougher."

The opening set lasted just 28 minutes, as Navratilova moved quickly to the net at every opportunity and punished some loose shots from her opponent with crisp volleys (at one stage she reeled off 12 straight points). Navratilova broke serve in the fourth, sixth and eighth games, dropping her own in the seventh.

Evert began to get into the match in the second set, using her groundstrokes to good effect in some long rallies. The only break came in the fifth game, clinched by her two superb shots down the line.

Navratilova kept scrapping, however, and Evert needed eight set points before winning. Then she raced through the final set. When she took a 5-2 lead she held up a finger and called out, "Just one more game."

"I could smell that finish line," she said. "I was just getting pumped up and it was getting better and better."

Evert, as she had in the first set, had tried to go for too many winners from the baseline and made too many mistakes.

"Even though I lost the second set I felt in control," said Navratilova. "I knew this was it. I knew it was the No. 1 ranking. I was going to go after it and I did."

"I knew I had to keep coming in and putting the pressure on, and I felt I had a better chance of breaking her serve than she did of breaking mine."



Martina Navratilova: 'I got what I wanted.'

Navratilova said she empathized with Evert, who has worked hard this year. "I know how much it means to her to win," she said. "I know how she feels. I've been there."

Then she added: "I don't want to sound presumptuous, but before the match I called a Czechoslovakian restaurant and ordered duck and sauerkraut and, of course, wine to celebrate." (AP, UPI)

Younger Swede Stuns Lendl in Marathon Semi

Compiled by Our Staff From Dispatches
MELBOURNE — Swedish teen-ager Stefan Edberg created tennis history Sunday by defeating Ivan Lendl, the world's top-ranked male tennis player, in five grueling sets in a delayed semifinal of the Australian Open.

The 6-7 (3-7), 7-5, 6-1, 4-6, 9-7 victory set up the first all-Swedish final in grand slam tournament history for Monday when Edberg, 19, the former Wimbledon junior champion, will play Mats Wilander, 21, who is trying to become the third man to win three consecutive Australian Opens, completed a rain-delayed 7-5, 6-1, 6-3 semifinal victory over Slobodan Zvezonovic of Yugoslavia on Saturday.

Edberg, the fifth seed here, played coolly under pressure in a match that was scheduled for Friday, was rained out Saturday and lasted for more than four hours Sunday. He led, two sets to one and 4-4, when rain again began to fall.

The players were off the court for an hour and 43 minutes. When they returned, Lendl promptly broke Edberg's serve and tied at two sets each.

The Czechoslovak got a service break early in the fifth set, but Edberg broke back immediately and had three match points in the ninth game, all of which he squandered. But again he rallied, this time losing only the match.

Lendl, who was jaded by the capacity crowd for his poor sportsmanship, still was in a sour mood when he walked into the press conference afterward.

"I don't call this Australian title a major championship. I put it in the second class with the Masters, WTC and Delray Beach titles," he said. "I consider myself fortunate to have escaped serious injury." He received treatment for a knee injury after the third set, but it did not appear to inhibit his movement. Edberg entered the press conference carrying a can of Aussie beer.

He was quietly confident of his chances against Wilander. "If I play like I did today, I think I have some chance, but Mats is a very tough competitor," he said.

Wilander holds a 4-1 career edge over Edberg and, in their only meeting on grass, won in four sets in the semifinals here in 1984.

He had won the first two sets against Zvezonovic and trailed, 0-1, in the third when rain halted their match Friday. When play resumed Saturday, Wilander took just 29 minutes, breaking serve in the seventh and ninth games.

Five hours later, referee Peter Bellenger halted play for the day as yet another thunderstorm inundated the stadium.

Wilander, seeded third, beat Lendl for the title in 1983 and Kevin Carran in last year's final. Jack Crawford was the Australian Open champion from 1931 to '33, and Roy Emerson won five titles in a row starting in 1963. (AP, UPI)

Stefan Edberg
'If I play like I did today...'

SCOREBOARD

Selected U.S. College Scores

FRIDAY'S RESULTS	
SOUTH	
Georgia Tech 71, Georgia 52, 30	
SOUTHWEST	
San. Methodist 41, Cent. Oklahoma 45	
Ark. Methodist 73, Washington St. 78	
SATURDAY'S RESULTS	
EAST	
Army 54, St. Peter's 35	
Duquesne 61, Wake Forest 41	
Clark 61, Arkansas 51	
Connecticut 61, Boston U. 7	
Duquesne 61, St. Francis 47	
Florida 61, Miami 57	
SOUTH	
Georgia Tech 71, Georgia 52, 30	
Florida 61, Miami 57	

National Basketball Association Standings

EASTERN CONFERENCE	
Team	W L Pct. GB
Philadelphia	17 3 .850
Washington	16 4 .800
New York	15 5 .750
Atlanta	14 6 .700
Charlotte	13 7 .650
Orlando	12 8 .600
Indiana	11 9 .550
Albany	10 10 .500
Washington	9 11 .450
Atlanta	8 12 .400
Charlotte	7 13 .350
Orlando	6 14 .300
Indiana	5 15 .250
Albany	4 16 .200
Washington	3 17 .150
Atlanta	2 18 .100
Charlotte	1 19 .050
Orlando	0 20 .000
Indiana	0 21 .000
Albany	0 22 .000
Washington	0 23 .000
Atlanta	0 24 .000
Charlotte	0 25 .000
Orlando	0 26 .000
Indiana	0 27 .000
Albany	0 28 .000
Washington	0 29 .000
Atlanta	0 30 .000
Charlotte	0 31 .000
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Charlotte	0 91 .000
Orlando	0 92 .000
Indiana	0 93 .000
Albany	0 94 .000
Washington	0 95 .000
Atlanta	0 96 .000
Charlotte	0 97 .000
Orlando	0 98 .000
Indiana	0 99 .000
Albany	0 100 .000

Tennis

Australian Open Results	
WOMEN	
Martina Navratilova (U.S.) def. Chris Evert (U.S.), 6-2, 4-6, 6-2	
MEN	
Stefan Edberg (Sweden) def. Ivan Lendl (Czechoslovakia), 6-7 (3-7), 7-5, 6-1, 4-6, 9-7	
Mats Wilander (Sweden) def. Slobodan Zvezonovic (Yugoslavia), 7-5, 6-1, 6-3	

Transition

WASHINGTON — The transition from the old to the new was complete today as the new rules of the game took effect.

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The new rules of the game took effect today as the new rules of the game took effect.

Basketball

Florida 61, Miami 57

Georgia Tech 71, Georgia 52, 30

Florida 61, Miami 57

Georgia Tech 71, Georgia 52, 30

Florida 61, Miami 57

Georgia Tech 71, Georgia 52, 30

Florida 61, Miami 57

Georgia Tech 71, Georgia 52, 30

Florida 61, Miami 57

Georgia Tech 71, Georgia 52, 30

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Florida 61, Miami 57

Georgia Tech 71, Georgia 52, 30

Florida 61, Miami 57

Georgia Tech 71, Georgia 52, 30

Florida 61, Miami 57

Hockey

NHL Standings

Philadelphia 30 7 1 32 79

Washington 14 7 3 25 100 79

NY Islanders 10 10 6 26 103 92

NY Rangers 13 14 1 28 92

Pittsburgh 13 13 5 31 92

New Jersey 11 13 1 25 91

Quebec 12 19 1 31 91

Boston 12 9 4 26 103 92

Montreal 12 10 3 25 91

Buffalo 12 12 1 25 91

Hartford 12 12 1 25 91

St. Louis 11 11 1 24 88

Chicago 9 12 4 25 91

Minnesota 7 12 4 23 88

Detroit 7 12 4 23 88

Toronto 7 14 3 24 89

Edmonton 19 4 4 27 119

Calgary 15 8 3 26 114

Winnipeg 15 8 3 26 114

Vancouver 17 7 3 31 125

Los Angeles 16 14 4 34 125

San Jose 16 14 4 34 125

San Jose 16 14 4 34 125

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Jackson Edges Out Long for Heisman; McCallum Runs Navy's Upset of Army

Compiled by Our Staff From Dispatches
NEW YORK — Auburn tailback Bo Jackson, the front-runner for the Heisman Trophy, won the football's most prestigious individual honor Saturday.

In the day's two major games, Jackson capped a record-setting career as Navy upset



Bo Jackson

Army and Oklahoma, ranked second in the wire service polls, shipped Southern Methodist to set

up a meeting that will decide the national championship when the winners play top-ranked Penn

State in the Orange Bowl.

The 12th running back in the last 13 years to take the Heisman, Jackson won by the closest vote ever, edging the Iowa quarterback

back Long by 1,509 total points.

A 1,464 Brigham Young quarterback Robbie Bosco was third, with Oklahoma State sophomore running back Lorenzo White fourth and Miami University quarterback

Timmy Tetterton fifth.

Jackson, a 6-foot-1 (1.8-meter), 200-pound (90-kilogram) senior from Bessemer, Alabama, carried 8 times for 1,786 yards and 17 touchdowns this year, for his career, he has 3,828 yards on 563

carries with 38 touchdowns.

Jackson answered some questions about his toughness on Nov. 15, when, with two broken ribs, he tied for 142 yards and two TDs

on 31 carries before Auburn's last-second loss to Alabama.

Oklahoma 35, SMU 13: In Norman, Oklahoma, the Sooners tallied 21 points in the second quarter to erase a 7-0 deficit. Their tailback, Spencer Tillman, scored from a yard out at 14:52 of the period, tying the score, and 16 seconds later, freshman quarterback Jamele Holloway scored on a 38-yard run after SMU fumbled.

On their next possession, the Sooners went 68 yards in 12 plays, Patrick Collins scoring from the 11. A penalty against SMU for roughing the punter kept the drive alive after it had stalled at midfield.

Oklahoma (10-1) won its seventh straight.

Navy 17, Army 7: In Philadelphia, McCallum — seventh in the Heisman voting — gained 217 yards and helped set up 20 fourth-quarter points as the Midshipmen won the 86th meeting between the two service academies.

McCallum increased his NCAA career all-purpose yardage record to 7,1

